

PEOPLE
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Algeria	4.80 D	Iran	115 E	China	0 000 B
Austria	25 S	Israel	185 S	Denmark	1 75 S
Belgium	0 750 D	Italy	1 800 L	Egypt	6 50 B
Canada	1 100 D	Japan	4 000 F	France	2 70 P
Czechoslovakia	45 000 C	Korea	300 P	Germany	1 10 P
Denmark	16 000 D	Luxembourg	40 L	Sweden	8 00 S
Egypt	6 500 E	Netherlands	1 100 G	Switzerland	2 50 S
France	2 70 F	Norway	1 100 N	Taiwan	2 70 T
Germany	1 10 G	Poland	3 000 P	Turkey	3 000 T
Greece	1 10 G	Spain	1 600 P	U.S.A.	1 000 U
		Sweden	8 00 S	Yugoslavia	2 000 Y

U.S. May Deploy Part of SDI by '93, Weinberger Says

Compiled by Our Staff From Dispatches
LONDON — The United States may be able to deploy the first elements of its Strategic Defense Initiative within six years, Secretary of Defense Caspar W. Weinberger said Sunday.

Mr. Weinberger also said the United States would seek to renegotiate the 1972 anti-ballistic missile treaty with the Soviet Union when Washington was ready to deploy elements of the SDI system, popularly known as "star wars."

His statements in a television interview with the British Broadcasting Corp. came soon after sources in Washington told The New York Times that the administration was likely to defer a decision on adopting an interpretation of the ABM treaty that would allow extensive SDI testing.

Secretary of State George P. Shultz, while reporting "very considerable progress" in developing SDI systems, said Sunday in a Washington television interview that there was no "early deployment decision in the offing."

Mr. Shultz said that, as far as early deployment was concerned, "it's not possible to make any such decision this year or next year."

SDI research has yielded considerable progress, Mr. Shultz said, even under the "restrictive" interpretation of the ABM treaty.

"But it is clear enough now, given the progress that has been made, that you'd be able to pursue the program much more effectively, and perhaps only, if a different pattern of testing is permitted," he said.

Mr. Weinberger said he did not know when the first phase of SDI could be deployed, but he estimated "somewhere in the 1993 to 1994 range."

"Everybody agrees that when we're ready to deploy we would have to take advantage of the pro-

Article V

1. Each party undertakes not to develop, test or deploy ABM systems or components which are sea-based, air-based, space-based, or mobile land-based.

2. Each party undertakes not to develop, test or deploy ABM launchers for launching more than one ABM salvo per missile at a fixed launch site, not to modify deployed launchers to provide more than one salvo, not to develop, test or deploy automatic or semi-automatic or other similar systems for rapid reload of ABM launchers.

Key part of the ABM treaty.

visions of the ABM treaty, which are in the treaty itself, which call for revisions or changes or additional permissions not now in the treaty," he said.

Article 14 of the treaty states that "each party may propose amendments to this treaty."

On the same television program as Mr. Shultz, however, the Senate Armed Services chairman, Sam Nunn, Democrat of Georgia, said an interpretation by the administration of the ABM treaty to allow advanced testing of SDI "would be a very bad mistake."

Mr. Nunn urged consultation with the U.S. allies and Congress.

(AFP, UPI, IHT)

ABM Decision 'On Hold'

Michael R. Gordon of The New York Times reported earlier from Washington.

The Reagan administration, under intense pressure from Congress and the Western allies, is likely to put off a decision on whether to adopt a view of the ABM treaty that would allow extensive testing of some types of space-based defense systems, administration officials said Sunday.

"Everything is on hold until we get more information," one official said. He said the administration needed to evaluate whether an adequate testing program for space-based systems could be conducted under the existing, strict interpretation of the treaty or whether a broader interpretation was needed.

At a meeting Tuesday at the White House, Mr. Reagan expressed interest in adopting the broad interpretation without making an announcement about the change, officials said.

Reports about that meeting prompted a strong response from members of Congress and others.

Mr. Nunn told Mr. Reagan in a letter Friday that such a move, without consultation with Congress, would lead to a "constitutional confrontation."

Diplomats from Western nations have also asked the administration not to make such a decision.

Mr. Shultz met Friday with Mr. Reagan and reportedly argued that a broad interpretation could trigger a backlash that would hurt SDI.

Some conservatives have pressed Mr. Reagan to formally adopt such an interpretation.

A detailed account of the White House meeting was published Friday.

See SDI, Page 3



Manila newspapers with headlines about the end of the cease-fire.

Cease-Fire Expires in Philippines; Communists Reject New Peace Talks

By Michael Richardson
International Herald Tribune
MANILA — The 60-day cease-fire between Communist guerrillas and government troops ended Sunday, but there was no immediate resumption of violence.

In a statement, the rebels rejected peace talks, but government and military officials said they believed the Communist insurgent movement was divided over whether to resume negotiations with the administration of President Corason C. Aquino.

Tonfoiso Guingona Jr., the government's chief negotiator, said that if the rebels "spurn further negotiations, they spurn the desire for the people and many of their own members to pursue peace."

He said the government planned to approach the Communist rank and file to try to work out new cease-fires on a regional basis. National or regional peace talks could be held even without a truce, he said.

A Philippine military spokesman said regional commanders had been told to be "extra careful" after the expiration of the truce at midday, Reuters reported. Troops were on alert, the spokesman said, but there were no orders to attack the rebels.

The government unveiled a program to distribute 9.7 million hectares (24 million acres) of land to millions of farmers. The National Democratic Front, the political arm of the New People's Army, which announced Saturday that the rebels would not extend the cease-fire or open new negotiations, had claimed a government lack of faith in pursuing land reform as a reason.

Colonel Honesto Isla, a military spokesman, said intelligence from within the Communist Party's central military commission indicated that there was a split between those who wanted to pursue armed struggle and those advocating negotiations.

He said it was believed that the split was "very serious and could lead to factional fighting."

Other officers, interviewed in Manila and at Davao, in the southern Philippines, said the idea of offering regional cease-fires could widen divisions in the rebel movement.

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Hostage Makes Appeal To Avert Execution

Israel Rejects Ultimatum to Release Arabs

Compiled by Our Staff From Dispatches
BEIRUT — A U.S. hostage said in a videotape released Sunday by his kidnappers that he and three other captives would be killed Monday if Israel failed to release 400 Arab prisoners.

Shimon Peres, the Israeli foreign minister, rejected the ultimatum. "Israel cannot and will not act according to ultimatums," he said in Jerusalem. "If someone has a suggestion, please approach Israel in an orderly way." His statement appeared to allow for the possibility of diplomatic initiatives about the Arab prisoners.

Islamic Jihad for the Liberation of Palestine has warned that it will kill the four hostages, educators at Beirut University College who were abducted on Jan. 24, unless the Arabs are released.

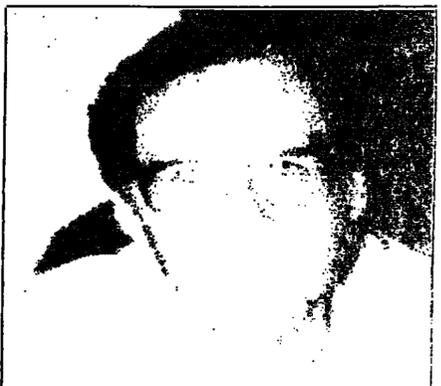
Mr. Peres said that a proposal on Saturday by Nahid Berril, the leader of the Shiite Moslem Amal militia, to exchange a captured Israeli Air Force navigator for the 400 Arab prisoners was not made through proper channels.

"There are things that should not be conducted publicly or through the media," Mr. Peres said.

Israel has indicated previously that it would not exchange jailed guerrillas for hostages in Lebanon.

The American hostage, Alann Steen, 47, made his appeal in a videotape delivered to a Western news agency in Beirut on Sunday.

"If our lives are important to America, it must order Israel to



Alann Steen, an American hostage, in videotaped message.

U.S. Dealt With Radicals In Iran, Israeli Told Bush

By Bob Woodward
and David Hoffman
Washington Post Service
WASHINGTON — An Israeli official involved in the sale of U.S. arms to Iran told Vice President George Bush last summer that "we are dealing with the most radical elements" in Iran because "we've learned they can deliver and the moderates can't," according to a memorandum written by Mr. Bush's chief of staff.

The description of the Iranian effort provided by the Israeli, Amir Nir, contradicts the assertion by President Ronald Reagan that he was dealing with Iranian moderates in sending the weapons to Tehran. Mr. Nir was an aide to Shimon Peres when Mr. Peres was the prime minister.

The memo quotes Mr. Nir as saying that Iranian officials were trying "to squeeze as much as possible" out of Israel and the United States "as long as they have assets."

The allusion presumably is to the American hostages believed to be held in Lebanon by pro-Iranian extremist groups. This interpretation would undermine Mr. Reagan's repeated assertions that he was not engaged in trading for hostages. Two Americans have been released since the sales were made.

Mr. Bush's only known response to Mr. Nir's comments was to direct that a copy of the memorandum describing the meeting with Mr. Nir be sent to Lieutenant Colonel Oliver L. North, the National Security Council aide who ran the secret Iran operation.

What Mr. Nir told Mr. Bush, according to the memo, also undermines the Israeli government's repeated claims that it played only a minor and passive role in the dealings with Iran.

Mr. Nir is quoted as saying of the Israelis: "We activated the channel; we gave a front to the operation; provided a physical base; provided aircraft."

A source said Saturday that Mr. Bush recently told the special review board headed by John G. Tower, a former Republican senator from Texas, that one of his concerns after the Nir meeting was

See BUSH, Page 3



SEOUL PROTEST — Lee Min Woo, second from right, the 71-year-old president of the New Korea Democratic Party, and his supporters are stopped by police as they march to a government anti-torture rally. Page 2.

Disarray at the White House

As Control Wanes, Reagan Has Trouble Keeping Staff

By Steven V. Roberts
New York Times Service
WASHINGTON — With Ronald Reagan in the final two years of his presidency, his White House has started to lose the distinctive aura of confidence and control that contributed heavily to the many achievements of his first six years in office, according to White House insiders and Reagan supporters outside the government.

This sharp shift in the White House mood has already eroded the president's ability to retain and recruit top-flight talent in his personal staff operation, the officials say. And it is threatening to undermine Mr. Reagan's ability to prepare and promote a legislative program that has already been significantly reduced in scope.

The disarray, the officials agree, has been caused by a series of setbacks that compound one another, from the Democratic triumph in the November elections to the draining distractions of the Iran arms affair and the health of Mr. Reagan, who had prostate surgery last month.

In addition, many Republicans voice doubt about their party's ability to keep the White House, or recapture the Senate, in 1988.

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top advisers have announced their departures: Mitchell E. Daniels Jr., his assistant for political affairs, and Patrick J. Buchanan, the director of communications.

Mr. Fitzwater himself replaced Larry Speakes, who left Feb. 1 for a Wall Street job. It was learned last week that Thomas C. Dawson, the top aide to Donald T. Regan, the chief of staff, would be nominated as ambassador to Costa Rica.

Alfred H. Kingon, another aide to the chief of staff, is also becoming an ambassador, and a third Reagan assistant, David L. Chew, has started exploring outside opportunities.

Rumors were flying so fast last week that James C. Miller III, the budget director, had the White House announce that he was not, in fact, leaving his post.

Officials disagree over what will happen to the White House in the months ahead. Mr. Buchanan says recruitment will be no problem.

"I really think," he said, "that a tremendous number of people out there really would give up everything in a second and work for the president of the United States, particularly this president. It's an opportunity to be a part of history."

But others say recruitment is already a problem, noting that no one is currently applying.

Chinese Arrive in Moscow To Reopen Border Talks

The Associated Press
MOSCOW — A Chinese delegation arrived Sunday in the Soviet Union for the first talks in nine years on a border dispute between the two countries.

The Tass press agency said the delegation, headed by Qian Qichen, a deputy foreign minister, was met by the head of the Soviet negotiating team, Igor Rogachev, also a deputy foreign minister.

The talks, to begin Monday, center on waterways and islands along the Ussuri and Amur rivers dividing northeastern China and Soviet Siberia.

The talks will be watched as a gauge of success of recent Soviet efforts to improve relations with China.

Mikhail S. Gorbachev set the stage for the resumption of talks in a speech in July in Vladivostok. He called for an end to the antagonism between the Soviet Union and China and indicated the Kremlin was ready to discuss its position on the border question.

China and the Soviet Union have disputed the border since the early 1960s, with fighting along the Ussuri and Amur rivers in 1969.

Negotiations on the border opened in 1969 and continued with several breaks until 1978, but without apparent progress.

Europe Again Worries U.S. Might Cut Troops

By Joseph Fitchett
International Herald Tribune
PARIS — The possibility that the United States will remove some of its troops from Europe, a possibility that has periodically rattled the Western alliance, is again starting to concern European leaders, officials and strategists say.

Manfred Wörner, the defense minister of West Germany, acknowledged at a defense symposium in Munich a week ago that he was "preoccupied with the risk of a partial U.S. drawdown" of troops from NATO.

Mr. Wörner's concern reflected developments in the United States, where some strategists are calling for troop cuts at a time of increasingly rancorous debates over defense spending, protectionism and trade balances.

European officials have privately expressed concern that the new Democratic-controlled Congress, alarmed by the U.S. budget deficit, might seize on troop cuts in Europe as a means of making quick trims in defense spending at a time when the Reagan administration, weakened by the Iranian arms sales affair, could not block such a move.

"We are potentially in a situation where a bid to pull troops would be harder to defeat than ever before," said John C. Cartwright, the defense spokesman for the alliance of Liberals and Social Democrats in Britain.

The possibility of U.S. troop cuts has arisen and receded so often that the topic has come to be widely regarded as a routine refrain in alliance discussions. So it was a striking coincidence that two prestigious European newspapers, on the same day last week, reported a shift of thinking in Europe.

The Frankfurter Allgemeine Zeitung in West Germany and Le Monde in France said that West German officials no longer rule out possible U.S. cutbacks—for example, a phased withdrawal of 100,000 troops along lines advocated by Zbigniew Brzezinski, the national security adviser to President Jimmy Carter.

Mr. Brzezinski, in congressional hearings last month, called for this redeployment so U.S. troops could be more quickly sent to Central



Manfred Wörner

Zaire in the AIDS Fight: Silence Ends, Tests Start

By James Brooke
New York Times Service
KINSHASA, Zaire — At the AIDS project in Mama Yemo Hospital here, Zairian technicians hunch over computers, tracking the health histories of thousands of local victims of the disease.

In homes across Kinshasa, television screens lighted up recently with graphic images from a public health script produced by the National Committee to Combat AIDS.

In pioneering research here, about 12 Zairian and European carriers of the AIDS virus are undergoing the first human tests of a potential AIDS vaccine.

At the Ministry of Public Health, officials speak openly of a project to use American and West German technical skills to screen Kinshasa's blood banks for blood contaminated by the AIDS virus.

Zaire, long one of Africa's most secretive countries about acquired immune deficiency syndrome, is beginning to treat the disease like any other public health menace.

According to surveys, 5 percent to 8 percent of Kinshasa's adult population, or at least 100,000 people, are infected with the AIDS virus. More than 25 percent of the city's prostitutes have the virus. At Mama Yemo, about 15 new AIDS cases are detected each day.

"We are facing a grave and serious problem, and we should look at it in a cold and serious way," said Dr. Ngandu Kabeya, Zaire's public health commissioner.

Mr. Ngandu underlined Zaire's new attitude toward AIDS when he

"We are facing a grave and serious problem, and we should look at it in a cold and serious way."
— Dr. Ngandu Kabeya, Zaire's public health commissioner.

ed in 1984, is largely financed by U.S. sources, the national Centers for Disease Control and the National Institutes of Health.

AIDS is an incurable disease that cripples the immune system, leaving the victim susceptible to some infectious and cancers. It is caused by a virus that spreads through sexual intercourse or exchange of blood, as in shared hypodermic needles.

In the United States, most of the

See AIDS, Page 2

LATE NEWS

Canadian Freed By Iranians

TEHRAN (AFP) — Philip Eng, a Canadian engineer arrested here in December, was released Sunday, Western diplomats announced.

Mr. Eng, employed by the Schlumberger oil exploration group, was arrested when he arrived in Iran.

INSIDE TODAY

BRITAIN'S OPENING THIRD MARKET

British investors have a Third Market, for small companies. Personal Investing, Pages 9-12.

GENERAL NEWS

- Integration in the U.S. rose in the 1970s as more blacks moved to the suburbs. Page 3.
- Britain appears set to offer financial support for new Airbus aircraft. Page 13.

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AMERICAN TOPICS

An Operating Manual For Congressmen

A spiral-bound handbook of advice for new congressmen tells how to attain high visibility at high risk (joust with the press, introduce major bills independently), low visibility at high risk (maneuver within the party, unauthorized disclosure to the press), high visibility at low risk (work at securing high committee posts and other leadership positions) and low visibility at low risk (settle for less or committee posts, introduce amendments instead of independent bills).

The book, "Setting Course: A Congressional Management Guide," is published by the American University Center for Congressional and Presidential Studies and the Congressional Management Foundation. First printed in 1984, its new edition went to all 435 members of the House of Representatives, the New York Times reports. It is based on interviews with scores of congressmen, both veterans and first-termers, and their staffs.

The handbook warns congressional neophytes that managing his own office is "the road to disaster" and that the job should be left to administrative assistants. It further advises against hiring all those who worked on the election campaign and bringing them to Washington. "Their skills are not necessarily transferable to the Hill office, and this usually results in massive turnover after the first 90 days."

Short Takes

A man in Hastings, Michigan, was acquitted of negligent homicide in the death of two crash victims because they were not wearing seat belts, in violation of state law. "There's no question he caused the accident," said Jim Fisher, the lawyer for the motorist, Jeffrey Smith. "Our argument is that death would not have resulted had they been following the law."

"Of course they're useful," Phyllis Carl Wagner, a New York advertising executive, says of computers. "For example, I have my entire personal telephone book on it. But it goes beyond that; they're taking the place in our emotions that cars used to have. People who have computers at home talk and feel about them the way they used to talk and feel about cars."

Neck braces can be decorative and distinctive, says Dr. J. DeWitt Fox of Los Angeles. At a convention of orthopedic surgeons in San Francisco, he displayed neck braces decorated with silks, furs and feathers. He himself was wearing a brace of imitation silk set off with rhinestones.

Elsmor Pennington, a New York Times reader, spotted a hand-lettered sign in the rear window of a battered old car

driven by a man of about the age to have two offspring in college: "Columbia + Harvard = \$33,100."

Notes About People

After Elliot Richardson's Washington law firm accepted the Marxist government of Angola as a client, rightists staged a protest in front of the firm's office and several wrote Mr. Richardson to express their displeasure. His reply to one such letter: "As a twice-wounded soldier who has been appointed by four presidents to nine positions of trust and responsibility, I would have thought it obvious that any service I might render to another country must also be consistent with the interests of my own. Your assumption that the contrary is insulting and contemptible."

Larry Speakes, who has left the White House for the Wall Street investment firm of Merrill Lynch, told the New York Times in a farewell interview, "The press conference in its present form is in danger of

outraging its usefulness because of the fact that it is boiled down to an East Room extravaganza, and the questions do not come in a coherent fashion and stay with a subject and explore the depth of the president's thinking."

Abbie Hoffman, 50, a 1960s radical still going strong, reflected: "If I wanted to convince people that I could faithfully heal them, I'd have me a jet plane by now. But I want to convince them that they have the power as people to come together and fight city hall. And this is very hard."

John Mueller, author of the 1985 book on Fred Astaire's technique, "Astaire Dancing: The Musical Films," recalled in a Washington Post interview: "I interviewed Astaire when I was just starting out on the book, and he wasn't at all concerned with the fact that his work was being written about. He wasn't discourteous. He just doesn't care about his old movies. He cares about what he's doing today and tomorrow. The man doesn't have a nostalgic bone in his body."

—ARTHUR HIGBEE

Integration Rose in '70s as Blacks Moved to Suburbs, Study Finds

By Martha M. Hamilton
Washington Post Service

WASHINGTON — Neighborhoods across the nation became more integrated during the 1970s, reversing an increase in racial separation the decade before, according to a study by the Urban Institute, an independent research group.

The rise in integration was largely attributed to the movement of black families to the suburbs as their incomes rose.

"The growing tendency towards more segregated living patterns, which has characterized most of the postwar period, has been reversed," the study said.

"While housing markets remain highly segregated today," it added, "barriers to integration appear to be breaking down."

Researchers analyzed census data for metropolitan areas in 11 states: Alabama, California, Georgia, Illinois, Iowa, Louisiana, Massachusetts, North Carolina, New York, Ohio and Texas.

The study was carried out by Ann B. Schnare, director of the Urban Institute's Public Finance and Housing Center, and Scott McKinney of Hobart and William Smith Colleges.

The study found that the proportion of blacks living in census tracts that were

more than 90 percent black increased to 38.6 percent from 34.8 percent between 1960 and 1970, but fell to 31 percent in 1980.

The proportion of whites living in all-white neighborhoods — those with populations that were less than 1 percent black — fell to 37.2 percent in 1980 from 64.6 percent in 1970 and 70.7 percent in 1960.

The study also found a shift by black families out of low-income census tracts. The proportion of blacks residing in those tracts dropped to 64 percent from 80 percent between 1970 and 1980.

National legislation prohibiting discrimination in housing was enacted in 1968. That, the study said, probably helped accelerate the movement into integrated neighborhoods in the 1970s.

It also said evidence suggests that "the black population became increasingly divided into 'haves' and 'have nots.'"

"As a result," it said, "those blacks who remain in highly segregated neighborhoods may have fewer prospects for mobility. Since blacks, like whites, are now distributing themselves on the basis of income, segregation by class may be on the rise."

Ms. Schnare said that increased integration reflected the move to the suburbs by blacks rather than the movement of middle-class whites to renewed inner-city neighborhoods. Other studies, she said, have shown that the relative income of cities in relation to their suburbs in the 1900

'The growing tendency towards more segregated living patterns, which has characterized most of the postwar period, has been reversed.'

— Urban Institute report

largest metropolitan areas continued to decline throughout the 1970s.

U.S. Plays Down Attacks

Philip Shenon of the New York Times reported from Washington:

The head of the Justice Department's civil rights division asserted Friday that there has been no increase in racial violence in the United States despite highly

publicized racial attacks in suburban New York City and Georgia.

In a speech that infuriated civil rights leaders, the official, Assistant Attorney General William Bradford Reynolds, said the recent attacks in Howard Beach, New York, and Forsyth County, Georgia, were isolated events that might best be explained by a breakdown of public education and family values.

The speech seemed designed to counter the charge by Senator Edward M. Kennedy, Democrat of Massachusetts, at a Senate hearing this week that the Reagan administration had "created a climate that encourages discrimination."

Mr. Reynolds, in his speech in Orlando, Florida, to a conference of the Florida Bar Association, said there was no evidence of growing racial tension.

"We have heard a good deal, primarily from the media and from the usual critics of this administration, about how these incidents, and a few other isolated events elsewhere in the country, mark a rising tide of racism," Mr. Reynolds said.

"There has yet to be produced any evidence to back up this bald assertion and, indeed, all the available evidence collected on such matters indicates quite the opposite," he said.

U.S. Is Still Dependent On Pretoria for Minerals

By David K. Shipley
New York Times Service

WASHINGTON — The State Department has told Congress that the U.S. economy and the military remain dependent on South Africa for 10 minerals and other raw materials that were not included in an import ban enacted in October.

In a report sent to Congress last week, the administration asserted that without South Africa, the Soviet Union would be the only source for sufficient amounts of many of the items needed to build jet engines, process steel, refine petroleum and perform other industrial functions.

Even some officials who favor tougher measures against South Africa acknowledge that the United States faces a difficult problem in finding other sources of key items, especially chromium, cobalt, manganese and platinum group metals.

Other crucial items are antimony, anthracite, chrysotile asbestos, industrial diamonds, rutile and titanium-bearing slag and vanadium. American vulnerability to disruptions of such supplies is an old concern of officials and private experts. It has also been cited frequently by the administration in opposing economic sanctions against Pretoria.

The sanctions legislation of last fall, which banned many imports from South Africa and was enacted by Congress over President Ronald Reagan's veto, exempts certain strategic minerals.

Chromium is essential in producing superalloys with such corrosion-resistant metals as nickel, cobalt, aluminum and titanium. These are used as components of aircraft engines, such as turbine blades, that are exposed to high temperatures. Chromium is also used in the insulating liners of boiler fireboxes.

Some of the other materials, such as chrysotile asbestos, which is

used in rocket and submarine construction, are shipped through South Africa.

"At present," the report said, "Zimbabwe is the only source of this grade of asbestos in the world, and the majority of Zimbabwe's asbestos is exported via the South African ports and transportation system."

According to the Office of Technology Assessment, an agency of Congress, the government could be doing more to finance research and testing that might improve industrial processes as well as develop synthetics.

The Reagan administration tried last year to sell off all the platinum and large quantities of other materials that are held in government stockpiles in case of national emergency.

Congress blocked the move, which was aimed at generating income for budget purposes and was based on the assumption that South Africa would remain the primary source of such items.

Warning From Pretoria

The Botswana government said it had received threats from South Africa over the alleged presence of two members of the African National Congress at a conference in Gaborone, the capital, Agency France Presse reported.

Foreign Minister R.F. Botha of South Africa said later that Pretoria had merely emphasized the "grave consequences" of the presence in neighboring states of "persons who plan violence in South Africa."

A statement from the office of President Quett Masire said Pretoria had telegraphed the government Friday saying it would act against Botswana for allowing into the country two members of the African National Congress, which is outlawed in South Africa.

The two men were reportedly attending an international aid conference in Botswana last week.



MARCHERS SUPPORT DUARTE — President José Napoleón Duarte of El Salvador salutes supporters at the National Palace during a march by an estimated 70,000 people in support of tax increases and other measures ordered to revive the economy. Mr. Duarte's governing Christian Democratic Party organized the march.

U.S. to Supply More Stinger Missiles To Guerrillas Fighting in Afghanistan

By David B. Ottaway
Washington Post Service

WASHINGTON — The Reagan administration has decided to increase the number of Stinger anti-aircraft missiles provided to the Afghan rebels this year to escalate pressure on the Soviet Union to withdraw its troops from Afghanistan, according to U.S. officials.

The decision comes after numerous reports from the field indicating that the guerrillas are successfully using the weapon, first shipped there late last spring and put into extensive use in battle in October.

U.S. officials said the decision reflected a widely held view within Congress and the administration that the Soviet Union was still not serious about withdrawing an estimated 115,000 troops from Afghanistan.

The administration sent about 150 Stinger launchers last year to the Afghan rebels, according to congressional and other sources. It is not clear how many additional Stingers the administration plans to send to the rebels this year, but one U.S. official said there would be "a major increase."

Initially, the Afghan rebels reportedly had considerable difficulty learning to aim and fire the Stinger. But beginning late last summer, the Central Intelligence

Agency arranged for a group of ex-army specialists to train the rebels in camps near the Afghan border.

The source said there had been problems in storing the Stingers and some malfunctions caused by the extreme hot and cold temperatures in the mountains.

A source familiar with the program said the rebels were averaging between seven and eight hits for every 10 Stingers fired, but doubted that they were downing one aircraft per day, as the State Department reported in December.

The source said close control over the rebels was maintained by giving each four-man attack team one launcher and one missile.

Most of the migrants are from El Salvador and Guatemala. Along with citizens of 16 other countries where there is civil strife or a Communist government, Salvadorans and Guatemalans receive permits allowing them to live and work in Canada. The permits are valid for one year.

Canadian officials said the same policy temporarily bars deportations to Afghanistan, China, Cuba, East Germany, Iran, Lebanon, the Soviet Union and Sri Lanka, among other countries.

Under a 1980 law, aliens may be admitted to the United States as refugees if they can demonstrate "a well-founded fear of persecution" in their homelands because of race, religion, nationality or political opinion. The United States has excluded many Salvadorans and Guatemalans on the ground that they were economic migrants who wanted to improve their standard of living but faced no danger of persecution.

Christopher Taylor, director of immigration policy development for the Canadian government, said, "We are trying to take more immigrants because there is growing concern about population decline, or negative population growth, in Canada in the next 15 or 20 years."

"But," he added, "the current numbers of refugee claimants are unprecedented. We are not used to turning away large numbers of people at our borders. So we will have to come up with new solutions."

Sir Rudolf Bing, Bride Missing

NEW YORK — The former manager of the Metropolitan Opera, Sir Rudolf Bing, and Carolyn Douglass, 47, who were married Jan. 9 on his 85th birthday, are being sought by court-appointed conservators of his estate, according to the New York Daily News.

The newspaper reported Saturday that the couple had been missing since a mental competency hearing Jan. 12 in a New York court found that Mr. Bing was senile because of Alzheimer's disease and "unable to make rational decisions." Police said Mr. Bing had not been officially reported missing.

Mr. Bing and Ms. Douglass were married in Arlington, Virginia, two days after they were ordered to appear at the hearing.

U.K. Minister Visits Riyadh

RIYADH — The British defense secretary, George Younger, arrived Sunday for two days of talks with his Saudi counterpart, Prince Sultan bin Abdul Aziz. A plan to set up British industries to offset the cost to Saudi Arabia of a \$7.5 billion purchase of military aircraft was expected to dominate the talks.

REAGAN: White House in Decline

(Continued from Page 1)

successors have been named for Mr. Danieil, Mr. Buchanan, or Mr. Kingon. Many of those appointed recently, such as Mr. Fitzwater and Robert M. Gates, the new director of central intelligence, are the sort of professional government officials that Mr. Reagan once campaigned vigorously against.

Those professionals are in many cases the only options available to the president.

Another sign that concern has been rising within the White House was Nancy Reagan's active involvement in the drafting of the State of the Union message Jan. 27. In the past, she has generally intruded into policy decisions only when she thought things were going badly for her husband.

She has also insisted that the president be shielded from any public questioning about the Iran affair while he is recuperating from his surgery, according to a confidant of the Reagan family.

Some of Mr. Reagan's closest friends are so concerned about the White House situation that they have renewed appeals for Mr. Reagan's removal. These friends said that in Republican circles around the country, the belief is spreading that, as one put it, "Don's in the way, he's becoming an impediment" to a fresh start.

But a Reagan confidant reports that the president refused again to dismiss his chief aide, and Mr. Reagan still refuses to resign. In explaining the strong emotions that have contributed to Mr. Reagan's survival, the friend said, "You've got a lot of pride in here, pride and loyalty."

To some extent, the departures from the White House staff fit the capital's natural rhythms at the conclusion of any two-year election cycle, as some people simply burn out and others seize the chance for a new opportunity elsewhere. Some staff members, like Mr. Speakes, can command top salaries in the private sector.

But Paul Weirich, a key conservative with close ties to the administration, maintains that an "entirely different dynamic" is now dominating the White House — that the sense of inaction makes the place far less attractive to many officials or potential job-holders.

"It's very clear from the State of the Union, and it's very clear from the initiatives they are taking, that they don't have the kind of agenda where you say, boy, this is going to be exciting," Mr. Weirich said.

"The White House remains a depressing place for some officials who remain. 'No one knows what's going on here anymore,' said a senior aide to the president.



'One of the things that attracted us to Reagan was that he restored our sense of pride, of confidence, of viability. Every single bit of that is in the process of being lost.'

— A former White House staff member

BUSH: Memo Contradicts Reagan

(Continued from Page 1)

about the depth of Israeli involvement in the Iran operation.

Mr. Nir met with Mr. Bush on July 29 at the King David Hotel in Jerusalem, and the details were recorded in a three-page memo written by Mr. Bush's chief of staff, Craig L. Fuller.

The Senate intelligence committee's initial draft report on the Iran affair included the text of the Fuller memo, but the State Department requested it be deleted.

A source said the State Department felt that such detailed accounts of high-level discussions should not be revealed, but an administration official said the department wanted the memo deleted because "it showed that Israel was running the operation at the strategic, tactical and logistic level."

A copy of the Fuller memo was obtained by The Washington Post. Mr. Fuller confirmed the accuracy of the document.

The role Mr. Bush played in the Iran arms affair has come under particular scrutiny because of his plans to run for president in 1988 and because he has emphasized his experience in foreign policy matters. Mr. Bush has said he supported the Iran initiative generally, but has refused to provide details about his advice to the president.

Mr. Fuller said the information passed on by Mr. Nir was "far more detailed from an operational standpoint" about the Iran initiative than anything he or the vice president had earlier known.

Despite Mr. Nir's reference to deals with the "radicals," Mr. Fuller said, Mr. Bush was given assurances by National Security Council officials both before and after the Nir meeting indicating that U.S. representatives were dealing with moderate elements in Iran.

Mr. Bush's meeting with Mr. Nir followed the mission to Tehran in May by the former national security adviser, Robert C. McFarlane.

According to the Fuller memo, Mr. Nir told Mr. Bush there were two levels to the Iran effort: a "tactical" one "to get the hostages out," and a "strategic" one, to build better contacts with Iran.

However, Mr. Nir told Mr. Bush: "They don't believe that we want overall strategic cooperation to be better in the future. If they

TROOPS: Possibility of a U.S. Withdrawal Has Europe Worried Again

(Continued from Page 1)

likely to involve renewed attempts to prove that Europe shoulders a fair share of the military burden in the alliance. Europeans also will stress their apprehension that a troop cut would "send the wrong signal" to the Soviet Union, implying that U.S. nuclear guarantees for Europe were weakening, according to the NATO official.

A French Foreign Ministry official, who declined to be quoted by name, said that Europeans would argue that it would be counterproductive for the United States to consider a unilateral troop cut because NATO is preparing to open talks with the Warsaw Pact on reducing conventional forces.

But sources expressed alarm at the way U.S. strategic discussions

are intertwined with economic grievances.

At the Munich symposium, Richard R. Burt, the U.S. ambassador to West Germany, urged a cut in the agricultural subsidies that help European farmers compete with U.S. grain exporters, and said this money should be spent on defense.

"For the first time, U.S. officials are explicitly linking security and commerce, saying in effect that Europe can have U.S. GIs but only at the price of having U.S. grain, Boeing and other U.S. products," said Pierre Lellouche, an associate director of the Institut Français des Relations Internationales.

"A troop-cut could be a punitive reaction, the kind of emotional, ir-

rational act that politicians are capable of," Mr. Cartwright said.

European sources predicted that any sign of slackening U.S. commitment would undermine the credibility of the U.S. nuclear guarantee to Europe.

"A U.S. troop cut would Finlandize us," said Mr. Lellouche. European governments, whose priority is creating jobs and an economic recovery, would not undertake the extra defense spending needed to fill the gaps left by a partial U.S. withdrawal, he said.

"Europe must decide how much it values its security," Mr. Brzezinski said in a telephone interview from Washington. He added that "I don't think Europeans yet realize the depth and extent of the strategic debate here."

Acknowledging unease over the issue in West Germany, a spokesman for Lothar Ruhl, the deputy defense minister, said, "Any troop departure would give us problems in maintaining forward defense."

In France, a foreign ministry official voiced fears that West Germany would seek accommodation with the Soviet Union if it lost confidence in the United States.

In Britain, Mr. Cartwright said, "to keep the Americans in Europe, we have to cooperate more effectively among ourselves" in Europe.

"And," he added, "we might try to reassure the Americans that they have a free hand to use their Europe-based forces elsewhere in an emergency."



INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

For Iraq, Not for Hussein

The fog of battle still swirls over the marshes around Basra. Iraq, loaded with weapons but loath to commit infantry, seems unable to dislodge the Iranians completely from the outskirts of Basra. Iraq may yet gain an advantage that threatens America's objective in the war, peace through stalemate. Saudi Arabia, the Gulf states, Turkey, even the Soviet Union all stand to lose by Iranian victory.

Privatized Diplomacy

Day by day, the news exposes a deep and dangerous dimension to the Iran-contra crisis: privatized diplomacy. Behind the specifics of this Iran deal or that contra payment, there is an underlying pattern. If an American president's foreign policy is thwarted at home, he franchises his diplomacy secretly. He needn't bother to sell his policies to his own people. He needn't bother getting Congress to pay for them. Instead he can promote them by bartering, under the counter, with foreign potentates like King Fahd of Saudi Arabia or the sultan of Brunei.

Other Comment

anti-Americanism which has already struck root in several European countries. There are plenty of Europeans who feel that their governments have followed the zigzags of American foreign policy during the Reagan years with a diligence bordering on servility, and it is beginning to rankle. Another two years of this will leave the Atlantic looking wider than ever, and the alliance more dangerously divided. If the president is not to leave that legacy behind, it is time for him to stop taking his allies for granted.

Westerners at the Court of Czar Mikhail

By Kurt M. Campbell

CAMBRIDGE, Massachusetts — What is Mikhail Gorbachev up to, and why is he inviting all these interesting people to Moscow? Much like Czar Peter the Great, he is summoning Western intellectuals to his Kremlin court. Peter brought scores of European artisans, sages and shipbuilders to Russia in the late 1600s as part of a quest to "civilize" his backward land.



There is scant precedent in the Communist world for this sort of cultivation of the Western elites. What accounts for the opening? Before the bloom went off the flower of the Cuban revolution, Fidel Castro entertained poets and revolutionary pirates from throughout Latin America. He met novelist Gabriel Garcia Marquez during his period and reportedly struck up a friendship by swapping fish recipes.

Terror Wins When the Target States Are Divided

By John K. Cooley

DAMASCUS — Viewed in the wisdom of hindsight, the latest international hostage crisis arises from tragic errors of judgment by Western governments — and perhaps, too, by Terry Waite, the parish Anglican negotiator. Several conclusions result from two weeks of largely fruitless efforts to discuss the hostages with advisers to Syria's President Hafez al-Assad, and from the confidences of diplomats of West Germany, France and Britain who are suffering through this affair along with Syrians and Americans.

A Show of Strength or of Weakness?

By William Pfaff

PARIS — The American show of strength in the eastern Mediterranean looks very much like a show of weakness. What were those dozen ships, including two nuclear aircraft carriers, and two marine amphibious groups, supposed to do? They could have obliterated Lebanon. They still could. But what were they supposed to do that would be useful?

Victory Seems Near For Iran

By Jim Hoagland

PARIS — Greed, concern for hostages and hunger for geopolitical glory brought together the Americans, Israelis and Iranian spies who gave us Iranagate. What about the other side? What was in the minds of those in Tehran who lured the Great Satan and assistant Satans into a dialogue that was not at an end when it was exposed? More than weapons to use against Iraq, it turns out, although these were important.

The Iranian continue to draw the Iraqi army's best units into bloody encounters against an apparently endless supply of Revolutionary Guards and militia. They want to force the Iraqi army into the choice of feeding its best soldiers into a relentless meat grinder, or turning and helping Saddam Hussein. That is how the war ends for the Iraqis, not with the capture of Baghdad or the declaring of an independent Islamic Republic of Basra that could lead to the disintegration of the Iraqi state.

Throughout the emirates of the Gulf and in Saudi Arabia, many are beginning to ask seriously the question they had hoped would go away: What happens if Iraq loses the war? An Arab friend of long standing recounts that as the Iranian offensive has intensified, banks in Bahrain have been shifting their original account records to London, for safe-keeping and working from copies. Another acquaintance from the area speculates that the United States is moving warships closer to the Gulf to try to stem a growing sense of panic in Bahrain and Kuwait.

IN OUR PAGES, 75 AND 50 YEARS AGO 1912: For a Free Ireland BELFAST — Winston Churchill outlined a Home Rule Bill to a gathering of 6,000 Liberals and Nationalists at Celtic Park [on Feb. 8]. It would create an Irish Parliament that would have control over purely State matters and powers of taxation for State purposes so safeguarded by Imperial control that no unjust levies can be placed on Protestant Ulster. He pledged the faith of the Liberal Government that the Bill would guarantee absolute religious freedom, declaring that any infraction of the pledge by the Parliament in Dublin would be remedied by the Imperial Parliament at Westminster. Then he announced that the time was at hand for England to grant freedom, the boon long sought and fought for by the Irish people. He ended with an appeal to Protestant Ulster to forget the hatreds of the past and to fight for the dignity and honor of Ireland.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

LETTER If Hot, Then Chilling "A Writer's Outrageously Good Fortune" (Feb. 6) was depressing. One rules out spoof; one takes for granted careful reporting and faithful editing. So what we got was all there was to get. Leslie Dixon, a Hollywood hack whose success makes her a cultural role model of sorts, is a spectacularly added mangle of the English language. That she's loose in the land makes it easy to stay indoors. That she's "hot" is chilling. ARNOLD HERRIGER, Paris.

France's Winter of Discontent

Consequences of Unrest

Chirac's Image Is His New Challenge

A series of crises has dogged the center-right government.

By Julian Nundy

PARIS — Almost a year after regaining power for the right, Prime Minister Jacques Chirac now has a serious image problem that threatens his long-term political future.

It is one that he will have to resolve quickly if he is to become the right's main candidate in presidential elections next year.

Mr. Chirac became head of the center-right coalition government after elections last March 16 with one of the most difficult mandates of any prime minister since Charles de Gaulle took office as the Fifth Republic's first president in 1959.

With François Mitterrand, a Socialist, in the Elysee Palace, it was the first time that modern France was to have a head of state and a head of government from opposing political camps, the so-called cohabitation policy.

Many political observers gave the new government no more than a few months in office.

Now, few speculate on its longevity, concentrating instead on the likely scenarios when presidential elections fall due in the spring of next year.

Mr. Chirac's Neo-Gaullist Rally for the Republic and its center-right coalition partner, the Union for French Democracy, came to power with promises of radical reforms, particularly in the economy.

As these reforms were instituted at a fast pace, a series of crises dogged the Chirac government, leaving it to answer charges that it was uncaring and dismissive of social issues.

Mr. Chirac's troubles came to the surface in December, when a student movement against university reforms, that had started peacefully, began to turn violent.

Continued on page 8

IN THE NEWS

Dec. 6: Protester Dies
A French student, Malik Ousseine, dies after being beaten by police amid demonstrations against a bill to raise university tuition fees and stiffen entrance requirements. The bill is withdrawn. SOCIETY, Page 6

Dec. 18: Rail, Power Strikes
A wave of strikes in the public sector begins, disrupting power supplies and transportation nationwide for a month. Amid record low temperatures, rail workers return to work. Agreements are signed between the electricity authority and all unions except the Communist-led General Confederation of Labor. The government acquiesces to striking engineers of the national railroad by withdrawing a new promotion scale that favored merit over seniority. UNIONS, Page 7

Jan. 30: Chirac on Economy
Despite the wave of strikes, Prime Minister Jacques Chirac says he is determined to pursue policy to modernize the economy, fight unemployment and give a "second wind to social dialogue." Unemployment hit a record level at the end of 1986 with 2.69 million people out of work, 5.5 percent more than at the end of 1985. The 2-percent growth in gross domestic product was below official forecasts. ECONOMY, Page 7

Jan. 31: Rush to Buy Stocks
In the biggest share offering on the Paris Bourse, nearly three million individual investors purchase shares of Cie. Financière de Paribas, the banking group nationalized in 1982 under the government's privatization program involving 65 companies. The overwhelming demand for the offering forced the government to back down to meet in full all bids for up to 10 shares. A total of 14.7 million shares at 405 francs each were set aside for small investors. The offering to foreign investors was cut to meet domestic demand. STOCKS, Page 8



Prime Minister Jacques Chirac.

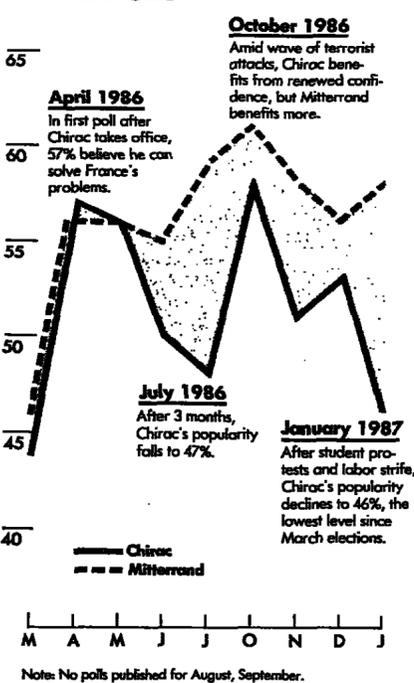
Mitterrand and Chirac: How Voters View Them

SINCE the election that brought Jacques Chirac to power as prime minister nearly 11 months ago, President François Mitterrand has maintained a steady high rating in opinion polls. In a SOFRES poll conducted one month before the elections, Mr. Mitterrand received a confidence rating of 46 percent. In the weeks following the vote, his score rose to 56 percent, compared with 57 percent for Mr. Chirac.

The president's popularity remained at about that level, while the prime minister's rating fell to 47 percent in a July poll. In September, amid a wave of terrorist attacks, Mr. Chirac's rating rose to 58 percent; the president's to 61. In late December, amid a nationwide rail and utility strike, 46 percent judged Mr. Chirac capable of resolving France's problems, while Mr. Mitterrand's popularity rose to 58 percent. In the latest poll published last week, Mr. Chirac's rating fell to 44 percent and Mr. Mitterrand's to 56 percent.

As the electorate begins to focus on the race for 1988, the question remains: Will Mr. Mitterrand run? An analysis on Page 6.

Declining Confidence In the Polls

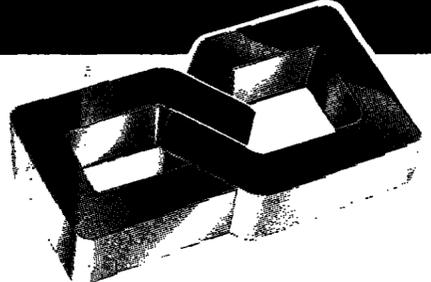


Note: No polls published for August, September. Source: SOFRES/Le Figaro Magazine



Joan Schatzberg

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There must be a reason why there's so much talk about the Paris Bourse.

■ There is. But it's not because it's surrounded by the best restaurants. The reason is much more mouth-watering... It's simply that the Bourse is doing very well indeed. The volume of securities has more than doubled in the past year. Market capitalization has risen by 140% in just 3 years. The French stocks index has gone up by 120% in 2 years. It must be said that the Paris Bourse has become a remarkably efficient tool, thanks to the technology and dynamism which place it in the forefront of international stock exchanges. Yet it still retains its own identity. Of course, the fact that the Bourse is doing so well may not please everyone. Well that's just too bad for them.

COMPAGNIE DES AGENTS DE CHANGE

BOURSE DE PARIS

Are the French Ready for New, Modern Era?

'We are an old rural nation...'

By Joseph Fitchett

PARIS — When student protests forced Prime Minister Jacques Chirac to retreat from plans last December to make universities more competitive institutions, the episode was more than just a blow to the government's political prestige. The student revolt's unexpected strength also raised questions about French society's readiness to accept changes of a sort widely considered to be overdue.

France had seemed ready for a conservative revolution after five years of Socialist government. The Socialists had paved the way, as economic realities had forced them to renounce their doctrines of state control and preach the virtues of competition.

With both Socialists and neo-Gaullists claiming to be converts to fostering private initiative, France was presumed ready to throw off its historical reliance on strong state intervention and, in a bound, escape the bonds of red tape, unions and labor-law rigidity.

Business culture had supplanted literary gossip at smart dinners, telegraphic tycoons such as Bernard Tapie were media darlings, the hour had struck for what the French call "liberalism" — which equates with the English "conservative economics" and means in practice these days a dose of Reaganomics to unleash entrepreneurial energy.

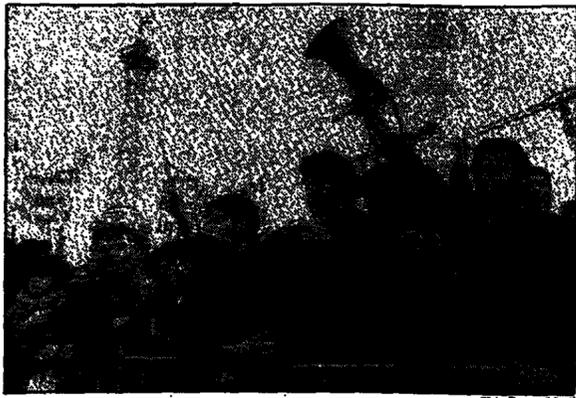
Although begun under these auspicious omens, the conservative revolution in France's business culture and social consensus seems postponed indefinitely.

Mr. Chirac's government, while successfully denationalizing banks and industry, stumbled in trying to shake up work habits. Conflicts about emphasizing incentives instead of seniority, merit instead of equality — changes whose symbolic dimensions vastly outran their actual impact — ballooned into a national confrontation.

Strikes, emulating the students' protest, blocked productivity plans in other low-making, state-owned enterprises, including railroads, the Paris-Metro and the harbor at Marseilles, the nation's largest port.

A peculiarity of the strikes was that they were led by students or workers from outside the trade unions, which traditionally handle collective bargaining in strongly centralized France. The unions' lack of leverage, and the strikers' ill-defined agenda, made the conflicts hard to settle. To many observers, the protest seemed to be a general revolt against the idea of change.

Suddenly, deeper questions were being asked about France's future. Are French people ready to modernize their economy if the price is accepting a more competitive existence? Can any government overcome entrenched resistance to rolling back job security and social protection in key sectors, particular-



Students at the Bastille: Their unexpected strength raised questions.

ly in state-owned public services? Has France really moved closer to a national political consensus enshrining private business and a better performing public sector as the country's best hope for growth in wealth and jobs?

France, like other West European nations, needs to shake up its business habits to thrive in a more competitive global economy. But French society has long been ambivalent about the commercial scramble.

"We are an old rural nation and a traditional Catholic society, with ambiguous feelings about money. We like settled fortunes, but we are suspicious about money that flows, irrigates — and may evaporate," said Jean Boissonat, editor of L'Expansion, France's leading business magazine.

But, after centuries of looking to the state to provide security, the French are being summoned to a more rough-and-tumble climate. Most significantly, any shake-up has to struggle with entrenched interest groups' reflex of clinging to any advantage, even if a small sacrifice might help the overall economy.

Mr. Boissonat summed up the dilemma recently. "When France peers into the future, it looks cross-eyed because of our nation's split personality: Combative individualism contrasts soothing egalitarianism [credited with preserving social peace]," he wrote, adding: "It will take years of gentle persuasion to nudge social and industrial groups away from their vested interests and into a new dynamic."

Many analysts agree that long-run trends are making France more like neighboring industrial countries, reducing French people's dependence on the state and increasing the role of private initiative.

For the moment, however, France has settled for superficial changes. "When I see Mr. Chirac doing out the privatized television stations rather than publicly selling them, I don't see any liberalism," said Alfred Grosser, a French political writer.

The Chirac government, attempting to wean the nation abruptly from comfortable habits, seems to have triggered a backlash that has slowed, for now, the process of change.

Acknowledging that mistakes were made, a conservative strategist, Jacques Toubon, secretary-general of Mr. Chirac's party, the neo-Gaullist Rally for the Republic, said in an interview that he and his colleagues had underestimated French people's attachment to what he called leftist values — equality over freedom, solidarity over success, stability over risk.

As the party's spokesman, Mr. Toubon has tried to recover the initiative by stressing the notion that "France's only chance of getting out of the economic and social crisis is for France to risk some changes." But his upbeat approach apparently came too late to rally public support.

Nonetheless, he contended, the government has created an "irreversible new momentum in France: Privatization, which will develop popular capitalism and is the modern form of worker participation advocated by General de Gaulle, a trend toward flexibility in working conditions; autonomy for the central bank — all these will make our economy more market-oriented."

He and Philippe Seguin, minister of labor, have said that they remain committed to a planned law to increase industrial flexibility, mainly by authorizing employers to negotiate variable work-weeks to accommodate fluctuations in demand. "We will legislate, and we will help pay for retraining and other incentives for mobility, but it will take time for all this to pass into French habits," Mr. Seguin recently told a business audience.

But Mr. Toubon, in omitting any major social initiatives, tacitly admitted that the government has abandoned its most ambitious plans — for example, to restore control of the universities to professors and eliminate the students' power that has remained since May 1968; to privatize major public-service enter-

prises, and to eliminate the trade unions as a major bargaining partner.

"The conservatives, with their technocrats trying to change society by decree instead of piecemeal by practical steps, were as clumsy as the Socialists," Michel Crozier, a sociologist, wrote recently in Le Point magazine.

"French people have never been more tolerant, more pluralistic, more enterprising: They are ready for reforms," he added. "But not just any reform."

A much less sanguine view of the French mentality appeared in an accompanying article by another sociologist, Alain Touraine: "What strikes me is the increasing unacceptability of this country," France, he continued, "has become a nation of people on the defensive, still ready to demand that government shelter them from the economic crisis, instead of scrambling to look out for themselves."

Most analysts, however, are closer to Mr. Crozier in describing France as ready for change, if it is gradual and acutely handled.

"An encouraging sign is that the agitation did not immediately turn to political extremism: Nobody called for the system's overthrow, or even for the government to resign," Nicholas Wahl, an American specialist on France, noted in Paris during the strikes.

Conservative strategists, however, deliberately chose shock tactics, a confrontational approach, insiders say, that was intended to crush the trade unions instead of negotiating with them. The unions, weakened by years of high unemployment and not revitalized while the Socialists were in power, seemed ripe to be eliminated as a major force in the French business climate, they contended.

The government's actions, however, miscarried when wildcat strikes got out of control and were especially hard to settle because the unions themselves lacked bargaining power with their own rank and file.

"We indulged in a crazy dream," said an influential member of the Patronat, the employers' association, who asked not to be identified. He and others now recognize that trade union power is not the primary obstacle to changing job habits. More importantly, without unions to help negotiate, change often is harder, not easier, to bring about.

"It's a naive misconception to think that a modern industrial nation can be governed without unions to help articulate workers' interests," noted Suzanne Berger, a French affairs specialist at the Massachusetts Institute of Technology. "The moment has come for France to rediscover the necessity of unions."

The crash program of Mr. Chirac also went too far, too fast in other areas, often upsetting his fellow conservatives, writes Jerome Jaffré, a public opinion analyst, in "L'Etat de l'Opinion: Clés pour 1987" (The State of Public Opinion: Keys for 1987). The abolition of the wealth tax and the decision to ease formalities for firing employees, Mr. Jaffré said, divided Mr. Chirac's own electorate.

Without saying that the pendulum in France will swing back from the conservatives, Mr. Jaffré said that French people favor more deregulation and more personal initiative, but they rebel at open assaults on social protections or on the egalitarian philosophy that still prevails in the nation's institutions.

Mitterrand: Playing For Time

PARIS — As Prime Minister Jacques Chirac has dealt with a succession of crises, President François Mitterrand has shown little desire to exploit his rival's misfortunes.

The reason, several political sources say, is that the president wants Mr. Chirac to remain the main leader of the right and be the conservative candidate in next year's presidential election.

The president has maintained a steady lead over Mr. Chirac in opinion polls.

And Mr. Mitterrand believes that, in a presidential election, he would find Mr. Chirac easier to beat than the other likely rightist candidate, Raymond Barre, the sources say.

Last fall, Mr. Mitterrand said publicly that he did not intend to be a candidate for the presidency in 1988, when his seven-year term ends. But he did not exclude his candidacy in the event that he was asked to run.

Lionel Jospin, the first secretary of the Socialist Party, has proposed a motion for the party's congress in April expressing the hope that Mr. Mitterrand will be the Socialist candidate. If accepted by the congress, the proposal would become party policy.

Published in January, the proposal already has angered the supporters of the other most likely Socialist candidate, Michel Rocard. Mr. Rocard, a former agriculture minister, has a consistently high rating in opinion polls. Within the party, he has long been seen as a Mitterrand rival.

Supporters of Mr. Rocard, responding to the Jospin text, have attempted to head off a decision at the April congress on their presidential candidate by suggesting a separation of "the debate on our policies from the debate on nominations."

The Mitterrand camp, however, sees the friction between the Socialist Party factions as dangerous only for Mr. Rocard. Other possible Socialist candidates are former prime ministers Laurent Fabius and Pierre Mauroy, who both currently back Mr. Mitterrand's candidacy for 1988.

Shortly after the internal Socialist Party squabble started, Mr. Rocard's popularity fell to 49 percent, according to a poll published in the weekly Journal du Dimanche in late January. A similar poll conducted a month earlier by the IFOP polling organization gave him 56 percent.

A series of opinion polls published just after France came out of one of its most uncomfortable crises in recent years, with public-sector strikes causing transport chaos and electricity cuts over the Christmas and New Year holidays, showed only one politician gaining. That was Mr. Barre, the most resolute opponent of the concept of a conservative prime minister sharing power with a Socialist president.

One of the leading members of the Union for French Democracy, the alliance of centrist parties that is the coalition partner of



Mr. Chirac's Neo-Gaullists, Mr. Barre scored highest in the IFOP poll — 56 percent.

Mr. Barre, who was prime minister from 1976 to 1981 under President Valéry Giscard d'Estaing, increased his popularity after appearing in his first formal television interview since the March elections at the height of the public-sector strikes.

As for Mr. Mitterrand, the past 11 months have given him the opportunity, while losing much of his power, to appear as a sort of arbiter, particularly on social issues. But he has had to tread a delicate road.

He refused to sign three decrees put before him by Mr. Chirac to head off parliamentary debate, but at other times he has been most supportive of the government. He expressed his solidarity with the government's stand against terrorism but then chided it when reports began to surface that the Chirac government was conducting negotiations to head off new bombings.

Another factor that could influence the length of the presidential term.

For the past decade there has been talk of reducing the presidential mandate from seven to five years to coincide with the term of the National Assembly. In January, Mr. Giscard d'Estaing said he believed Mr. Mitterrand would hold the referendum needed to change the constitution and reduce the term during 1987.

Next year, Mr. Mitterrand will be 72 and the length of a fresh mandate could be a serious election issue.

In general terms, some analysts say, Mr. Mitterrand would like to see the Chirac government overcome its crises with himself retaining a fatherly overseer's role. If this happens, and Mr. Chirac is able to go forward as the right's main candidate, Mr. Mitterrand feels he can win another term.

If, however, Mr. Barre benefits from crisis after crisis and puts himself forward as the man who can put France together again, the fight will be much more difficult. And, the sources say, if he thinks he will lose, Mr. Mitterrand is not likely to run.

Julian Nundy

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COMPAGNIE LA HÉNIN:
des métiers, une volonté de les dynamiser



J.S. Communication

Economic Malaise

Strikes Shake Confidence in Government's Reform Program

Political and business leaders describe the outlook for 1987 as mediocre.

By Axel Krause

PARIS—Until late December, the conservative government of Prime Minister Jacques Chirac approached the presidential election scheduled for next year fully confident that, despite growing opposition, it held a winning card—the French economy.

However, the three-week strike of public-sector employees that began Dec. 18 has raised new uncertainties about the economy's performance and the future actions of militant labor groups.

French officials, deputies, business leaders and foreign diplomats interviewed in recent days said the strikes, along with rising oil prices and surging imports, have rekindled doubts about the government's ability to stimulate growth and substantially reduce inflation, while maintaining a strong franc and pursuing ambitious reforms.

Even Edouard Balladur, the minister of finance, economics and privatization, who has vigorously defended the government's record on reforms since the March 16 elections, conceded in an interview that the strikes were among factors that would have "important effects" on inflation, currently at about 2 percent.

But he said he believed that the government's economic and political "difficulties" would be resolved within three months and that confidence would be restored.

Nevertheless, a mood of resignation about 1987 is reflected in recent polls and in private conversations with French political and business leaders and foreign observers, many of whom describe the outlook as mediocre compared to 1986.

"The December strike by railroad workers, while not the cause, certainly was a dramatic sign of the malaise now creeping into French political and economic life," a senior foreign diplomat in Paris said. "What comes across is that the Chirac government held the line on the wages [in recent negotiated settlements] but threw in the towel on Reagan-Thatcher-style reforms promised for the SNCF and other state-controlled sectors."

Critics cited as an example the fact that Mr. Chirac, faced with a paralyzing strike of railroad and electricity workers, abandoned a controversial plan proposed by the SNCF, the national railroad, to implement a pay scale based on merit rather than seniority. The plan was the first step in providing the railroad greater flexibility in managing its 230,000 employees and, above all, in reducing costs.

Raymond Barre, the former conservative prime minister and a leading contender for the presidency, warned supporters in Bordeaux on Jan. 25 that "France is stagnating; the economy is no longer competitive, and that cannot continue."

Mr. Barre said that new stimulative measures to restore confidence in the economy were urgently needed.

While Mr. Balladur has insisted that government policy is working successfully, particularly in reducing inflation and deficits and in privatizing companies and banks, many sources questioned the strength of the franc, export performance and the capacity of the economy to create enough jobs to dent growing unemployment. Government statistics show that the jobless rate during 1986 rose 5.5 percent to a record 11.5 million, or 10.7 percent of the work force, notably among youth, women and managers.

Many observers, including the Organization for Economic Cooperation and Development, say that France's unemployment will continue to climb. The OECD and some private French forecasting firms recently predicted that the rate will rise to around 11.5 percent in early 1988, representing nearly three million people.

While Mr. Balladur insists that inflation will remain around 2 percent this year, most private French forecasting groups have revised their projections upward since the public-sector strikes to between 2.6 percent and 3 percent. The inflation rate in 1986, the lowest in several decades, was about 2.2 percent, down from 4.7 percent in 1985.

A key question bothering many government planners is whether or not France will be able to close the widening gap in economic performance with West Germany, the country's largest trading partner and closest ally in West Europe.

Not only is the German inflation rate currently at about one percentage point below zero, but France's chronic trade deficit with West Germany rose sharply last year to a record 39.6 billion francs from 28.6 billion francs in 1985. France also reported increased deficits with the United States, Italy, and East European countries, including the Soviet Union.

"It is always the same story after a monetary readjustment: France tries to reset the clocks at zero with regard to Germany, but the gaps invariably worsen. In trade and inflation," commented Liberation, a leftist daily, shortly after the Deutsche mark was revalued by 3 percent last month in a realignment of some European Monetary System currencies.

How Chirac's Reforms Have Fared

Yes

Business: Privatization of industries, insurance companies and banks is approved; corporate tax rates fall; restrictions on layoffs are eased; social charges paid by employers are reduced; tax incentives are approved for stock-market investments.

Prices: Controls are lifted on manufactured products, but retained for items such as pharmaceuticals, books and taxi fares.

Subsidies: Government aid to industry is cut by one third, but support for farmers grows.

Politics: Electoral reform and redistricting measures expected to benefit the large conservative parties in 1988 are approved.

Law and order: Police powers are expanded to fight terrorism. Visa requirements are strengthened.

No

Unemployment: Despite incentives to hire youth workers and create jobs, the unemployment rate has reached 10.7 percent.

Education: Proposed university reforms are withdrawn after mass protests by students end in violence.

Public sector: Wage increases are held down, but an attempt to put some rail workers on a merit-based pay system is dropped after rail and transit workers strike.

Nationality: Action to stiffen requirements for becoming a French citizen is postponed amid broad resistance. Any revised proposal is not expected to be presented to Parliament before September.

Maybe

The workplace: The Constitutional Council annulled a controversial proposal to ease rules on setting workers' hours, but the government has vowed to submit a new plan to the National Assembly in the near future.

During the EMS negotiations, Mr. Chirac and Mr. Balladur adamantly refused to change the franc's parity within the EMS, even though West Germany had unsuccessfully urged a French devaluation of around 2 percent.

"There is no crisis of the franc, there is a mark crisis," Mr. Chirac said.

Commenting after the readjustment, Mr. Balladur said that the priorities established were "solid and durable."

But bankers were skeptical about the results. "It is safe to say this agreement won't hold for a full year," a senior official of one of West Germany's largest banks said.

"The French position was defensive and clearly political, so the final agreement turned

out as expected—patchwork," added a U.S. banker.

Contributing to the uncertainty is a sense of resignation and indifference about the future cited by French business leaders. Many say that not much will change between now and the election next year. They add that, unless the government moves to stimulate the economy, there will be little if any chance of attaining its goal of 2.8 percent GDP growth in 1987.

Most analysts believe that gross domestic product, the total value of a country's output of goods and services, minus foreign investments, will not exceed 2 percent, roughly double the expansion in 1985.

"Most of us are doing somewhat better,

particularly in profits, but 1988 will not be terrific. It will be a year of consolidation," said the senior executive of a large, French multinational company.

He and other sources cited a survey of chief executives published in January by L'Expansion, a French publishing group. Asked about the six-month outlook, 57 percent said they expected no change, while 5 percent anticipated a worsening in economic performance.

"Few if any businessmen are upbeat... if we get 2 percent [growth in GDP during 1987] that will be fine, and better than zero," the executive said.

Mr. Chirac and several key ministers have tried to generate enthusiasm for their policies despite a string of setbacks. These range from the student riots of December to the Jan. 25 ruling by the Constitutional Council, which annulled a controversial legislative proposal that would have eased rules on workers' hours and that had received wide support from French business.

"We will restart" preparations for a modified law that will be submitted to the National Assembly shortly, said Philippe Séguin, the minister of social affairs.

"Our intention is to pursue our recovery plan... when the moment comes, we will be judged by our courage and the results of our policy," Mr. Chirac said during a recent visit to the Alsace region in eastern France. "And we ask for nothing more."

Against a backdrop of slumping popularity for Mr. Chirac in polls, Mr. Balladur has emerged as the minister most admired by business leaders and bankers. In the L'Expansion survey, Mr. Balladur ranked first for "efficiency in his field," followed by André Giraud, the defense minister, Mr. Séguin, Mr. Chirac, and Alain Juppé, the budget minister. Michel Noir, the trade minister, was in ninth place.

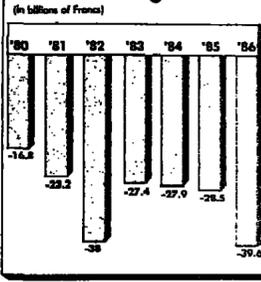
"France is on the right track," Mr. Balladur recently told the Anglo-American Press Association in Paris. "Our situation is improving. Responding to questions, the minister, who is viewed by many as a potential prime minister in a future conservative government headed by Mr. Chirac, emphasized that he was hopeful that recent cuts in corporate and income taxes would rekindle business confidence and, above all, investments."

Mr. Balladur said he hoped that investments in productive capacity this year would rise by about 5 percent from 1986 levels, compared to a 4 percent increase last year and a 2 percent rise in 1985.

Meanwhile, Mr. Balladur and his aides, who are drafting the 1988 budget, say they plan to accelerate cuts in government spending with a view to reducing the national budget deficit to around 2 percent of GDP from the current 3 percent. That would involve reducing the deficit to around 110 billion francs (\$18.3 billion), from 129 billion francs in 1987 and from 144 billion francs in 1986, the Finance Ministry said.

However, a key adviser to Mr. Barre said: "The government of Mr. Chirac is doing the

Trade With W. Germany: France's Losing Battle



Source: Ministère de l'Économie et de la Privatisation

right thing and their goals are ambitious, but they still have a long way to go." He added that in 1981, the year the Socialists came to power, ending Mr. Barre's tenure as prime minister, "the deficit was only 80.9 billion francs."

A recurring theme among Mr. Chirac's advisers is the absolute need to boost industrial productivity to improve the country's poor showing in export performance. Despite a greatly reduced oil bill caused by a weaker dollar, France reported a trade surplus of only 500 million francs in 1986. This was substantially below what the government had predicted and compares to a trade deficit of 30.7 billion francs in 1985.

"Our entire policy is aimed at getting companies to improve their competitiveness," said Mr. Noir in a recent interview. "We are getting our wage costs below Germany's and we are encouraging our businessmen to export more to West Germany, particularly in the industrial sector. But the German market is difficult, demanding, and many of our businessmen do not speak German."

Mr. Noir pointed to what he termed "an encouraging sign"—the fact that France for the first time in recent history substantially reduced its trade deficit with West Germany in sales of automobiles from about 10 billion francs in 1985 to 2 billion francs last year. "Thanks to Citroën and Renault mainly, we are doing better, which is an achievement," he said.

Another encouraging sign surfaced last Friday, when Mr. Balladur announced that France had registered a current-account surplus of 25.4 billion francs in 1986, its first since 1979. In 1985, the current account deficit rose to 1.5 billion francs, which measures both the nation's merchandise, as well as nonmerchandise trade items, such as services.

Trade in services posted a surplus of 37 billion francs, slightly below the 1985 level of 38.8 billion francs, Mr. Balladur and Mr. Noir told reporters.

Dissatisfaction With Unions Grows

By Brigid Phillips

PARIS—At the height of the Christmas season, train engineers crippled France's railroad system. Parisians huddled in winter weather waiting for an occasional bus or crammed into one of the few subway cars that was still running during a transit strike.

Electricity workers across the country shut off the power. Postal workers slowed the mail service. And in the midst of those strikes, union leaders called for shutdowns in all public services. It seemed that the unions were holding the country for ransom.

In fact, France's labor trouble was even more disquieting for the unions than it was for the beleaguered government or the thousands of would-be travelers whose train never arrived.

The strikes were sparked by a grass roots movement of railroad workers who were dissatisfied as much with the traditional unions as with their wages and working conditions. The walkouts were a critical threat to the future of unions in France.

The strikes began Dec. 18 when a group of Paris train drivers for SNCF, the state-owned railroad, staged a wildcat strike. Train drivers across the country soon set up independent strike committees—without the backing of unions—and managed to choke service to 40 percent of normal. The drivers were angry at a proposal to base promotions on merit rather than seniority.

Management of the SNCF was forced to hastily begin negotiations that had been scheduled for January. The talks went badly, the strike action spread and union leaders were relegated to the sidelines, condemning striking

‘Once the strike was under way, the unions could not manage to take control.’

workers who succumbed to "blatant manipulation" that they claimed was designed to break the unions.

"The unions did not start the train drivers' strike. They never even saw it coming," said Yves Chaigneau, a labor analyst and member of the French Economic and Social Council. "Once the strike was under way, the unions could not manage to take control."

An analysis in the Paris daily Le Monde added, "On top of the decline of organized labor the unions have already been facing, now union leaders will have to cope with a new phenomenon of spontaneous movements by workers."

Unions have been losing members steadily over the past decade and now claim only about 15 percent of the work force. As in many Western countries, French union leaders have watched their influence diminish as industrial jobs in traditional bastions of organized labor have been lost to new technology.

Young people are less interested in joining groups of any kind, and the growing number of

women in the work force have shunned unions. The unions have been unable to modernize either their structures or their rhetoric for a new generation of workers.

In a country where the major unions are organized along ideological lines rather than job classifications, support is eroding for left-leaning unions as it is for the Communist Party.

It is in the state-owned industries and public services that the unions retain their greatest strength. Among railroad workers, union membership is double the average level, at about 30 percent.

Yet, in December, the railroad workers were the first to challenge the unions with alternative organizations. They established parallel committees to watch over the shoulders of official union negotiators, and in some cases, formed alternate structures and demanded to be directly included in pay talks.

The renegades said they were protesting union leadership that served its own interests. They said they were frustrated with the lack of success of "push-button" strikes—the day-long, limited work stoppages that the unions generally advocate. The solution of these train engineers was a relentless strike, longer than any that the unions have held since May 1968.

Eventually, leaders of the principal unions recognized the strength of the countermovement and tried to claim some of the credit for the strikes' success. The Communist-led General Confederation of Labor, or CGT, led a one-day strike of all public services and called for the strikes to expand to include workers in the private sector.

That effort fizzled in a dispute between the major unions over the wisdom of turning the strikes into a mass movement. Some union leaders felt they would lose public support for



French railroad workers demonstrating during nationwide strikes in January.

their cause; others thought such action would give the government an excuse to crack down on labor without addressing the real concerns of workers.

Instead, the strike movement dissipated in the second week of January. Strikers at the state-owned firms won some concessions from the government on working conditions and benefits. They failed to budge the government from its ceiling of 3 percent on pay raises.

The next crucial test for the unions are the public-sector negotiations which are currently under way. In the opening days of those talks, teachers were already holding sporadic strikes to protest a government plan to add an extra level of bureaucracy in the administration of schools.

Henri Krasucki, leader of the CGT, foresees more disruption. "The labor battles will get bigger and expand," he said recently. "What the railroad workers started is not over. When I say the wave is building, it is both a call and an observation. The movement is growing. Give it a bit of time and it will reach the private sector, too."

However, his prediction may be built more on wishful thinking than analysis. Labor analysts and many politicians believe that the unions would not dare hold an extensive strike of public services because, as one expert said, "everybody wants his son to become a public servant, but all Frenchmen hate public servants."

But even more serious, there is some doubt

about the ability of unions to rally workers to such sweeping action. They could not control the railroad workers in December. And polls confirm that traditional union organizations have simply lost much of their appeal.

A recent survey showed that 51 percent of French workers believe that unions do not reflect the needs or wishes of labor. That lack of credibility will make it difficult for the unions to resume their role as leaders of labor.

"French unions are in a period of turmoil and it is not clear when or how they will emerge," Mr. Chaigneau said.

BRIGID PHILLIPS is a Paris-based journalist.

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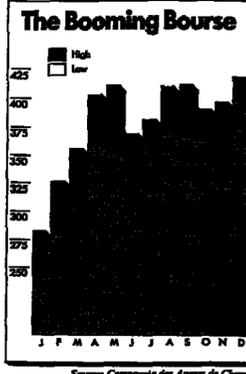
BANQUE INDOSUEZ. A WHOLE WORLD OF OPPORTUNITIES

The Bourse

Paris Stock Market Outgrows Its Southern European Image

'Paris is the one bull market left in Europe.'

By Vivian Lewis



protects investors against fraud in offers and trading of shares and other investments.

French fixed commissions are high by international standards, in particular for block trades, but institutional investors in practice can negotiate with brokers for a reduction of up to 70 percent of fixed commissions. Then, too, orders originating abroad can avoid the French transaction tax. Besides about 20 French blue chip shares are quoted in foreign markets (London, New York, Frankfurt), they can be traded by institutions with international-scale commissions.

Mr. Guetton's bank, the French subsidiary of Britain's Barclays, is preparing to revolutionize French markets by offering from Paris instant telephone quotations at low negotiated commissions for 40 additional stocks, including several from the attractive second *marché*, which are not now internationally traded. Through an offshore subsidiary, it will act as specialist in these shares and hold open positions to make deals, something undercapitalized French stockbrokers cannot do.

If all goes according to plan, in the spring, with the support of the Ministry of the Economy and Finance, French Barclays will have undercut the monopoly of the French stockbrokers' association.

Because of the "dematerialization" of French stocks in late 1985, when share certificates were discontinued, delivery and settlement conditions are among the most modern in the world. Other risks of a French investment will soon be reduced when the Paris futures market (*le Maff*, or *marché à terme des instruments financiers*) opens trading in stock options later this year. The institution of longer trading hours for block dealing in large-capitalization stocks also helps cut risks, and more shares will be traded all day in 1987.

One major risk of buying French shares remains foreign exchange losses. This was underscored by the effective devaluation of the franc in the European Monetary System last month. Protecting against currency risk is difficult from within France because of exchange controls. Actually, in the last three years, for investments based in dollars or pounds, the franc has risen in value.

New issues, mostly of smaller firms on the second *marché*, and capital increases by French companies have broadened their



Bidding for shares on the booming Paris Bourse.

markets, as have special tax advantages to encourage small investors. A new plan will encourage French investors to invest in funds for their retirement similar to the tax-deductible Individual Retirement Accounts in the United States.

In recent weeks, further investor interest has been stimulated by special conditions favoring purchase by small investors of formerly state-owned companies, such as Saint-Gobain and Farbes, and the announcement of another set of denationalizations of other well-known French banks and industrial companies, such as Sogeval, CCF, Compagnie Générale d'Electricité and the TFI television network.

In 1986, investors did well in Paris; the market's average performance was third in Europe, following Milan and Madrid. Most of the market's increase took place in the period up to the election of Prime Minister Jacques Chirac in March, after which the stock market fell and rose twice, barely gaining ground. Politics have a lot to do with the way French markets behave, but not always in the way one would expect. The CAC index posted a record in the

middle of the student protests in early December, because, as Mr. Hornet remarked, the French markets brush off news that would cause other exchanges to fall. The index rallied again despite the strikes by railroad, Metro and electricity workers in early January.

In the past, markets have tended to rise after a franc devaluation in the belief that a devaluation makes French companies more competitive internationally, thereby adding to their profitability.

Mr. Hornet estimated that corporate profits rose 45 percent to 48 percent in 1986, and will probably rise by 22 percent to 28 percent in 1987. The country's gastronomic reputation is a clear plus for foreign investors. Food was the best performing sector on the Bourse in 1986, rising by 157 percent. It was followed closely by the paper industry. The retailing sector came in third.

VIVIAN LEWIS, a Paris-based financial journalist, is a regular contributor to *The Banker* and the *International Organizations Monitoring Service*.

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PARIS — A French banker sums up the problems he has selling French stocks to foreign institutional investors. "Along with Italy and Spain, they think we are part of 'the garlic belt,' fast-growing but narrow, high-risk stock markets where settlement is uncertain, commissions are high, insiders are in control," said Gérard Guetton, deputy director of international securities for Barclays Bank, S.A.

As Mr. Guetton spends a lot of his time explaining, this is an unfair characterization of the French Bourse. It is neither as risky, nor as insider-ridden, inefficient or expensive as Southern European markets.

An increasing number of foreign investors from the United States, Britain and Japan are listening to Mr. Guetton and his colleagues and are beginning to take Paris more seriously. It is above all due to their confidence that the French stock markets have done so well. The markets rose by just under 60 percent in 1986, according to the stockbrokers' association, the Compagnie des Agents de Change (CAC), more than quadruple the level at the end of 1981.

A British financial analyst, Roger Hornet, of brokers James Capel, remains bullish on Paris in 1987. "Paris is the one bull market left in Europe," he said. "The others have run out of steam. In other markets bad news will be responded to more dramatically than in Paris."

"Erring on the side of caution, I would not be surprised if the Bourse rose by at least 25 percent in 1987."

According to the French daily *Le Monde*, Capel most closely predicted the 1986 rise in the index.

While rising stock prices are the key to

attracting foreign investors, the French stock market has other attractions, too. In fact, none of the features of "the garlic belt" apply any longer in France.

Take insider trading. Among European stock exchanges, France comes closest to the regulatory situation in Britain or the United States. This is not the case in Switzerland, the Netherlands or Belgium, where legislation is not yet in place, nor in other Southern European countries. In West Germany, insider trading is not illegal. The worst that can happen in the case of outright abuse, such as that by a member of the supervisory board of a company being bid for, is a fine equal to the illicit profits.

French law provides for prosecution and penal sanctions against those who trade in stocks on the basis of privileged information, and successful suits have been brought in court by the Commission on Stock Market Operations, a body similar to the Securities and Exchange Commission in the United States. It also keeps an eye on takeover bids and new issues to try to make sure that all shareholders are treated alike. Greenmail, involving corporate stock repurchases at above-market prices to prevent takeovers, is not allowed. The highly regulated French system also

For Chirac, New Political Challenge Is His Image

Continued from page 5

brought charges from both the left and extreme right of "laxity." The promotion clause was quick-

ly withdrawn, but the strike, which lasted a total of 26 days, continued to back demands for more pay and better working conditions.

The rail strike disrupted the country's transport system over

Christmas and New Year, ruining many families' holiday plans.

In Paris, Metro and bus drivers staged sporadic strikes, adding to the usual seasonal traffic jams, to press their own claims.

At issue as far as pay was concerned was a ceiling of 3 percent imposed by the government on all public-sector salaries in 1987 as part of its drive against inflation.

With the rail strike, in which many nonunion engineers took part, causing havoc, other parts of the public sector also staged parallel protests.

A one-day strike called for Jan. 6 in the public sector lasted for nearly a week and added electricity cuts to the chaos.

The strike movement, with many demands left unmet, lost momentum on Jan. 12 after demonstrators marched through France's cities, calling on the strikers to go back to work.

Then Mother Nature stepped in,

bringing an unusually severe cold spell and heavy snowfalls that complicated the return to normality, snarling the rail network and roads and overloading the electricity system.

Another effect of the cold was to focus attention on the country's poor, those with no homes or little money to buy food. With unemployment over the 10 percent mark, the ranks of what are called "the new poor" are steadily increasing.

Hurrying to burnish his social image, Mr. Chirac visited a center for the homeless as sub-zero temperatures took hold.

Later in January, teachers protesting, among other things, a new reform that would give elementary school principals greater powers joined the list of strikers, staging a one-day stoppage on Jan. 27.

For former Prime Minister Raymond Barre, the government's problems were due to an "overdose" of reforms, a desire to go too

quickly without appearing to seek solutions to the problems that preoccupy the French, especially unemployment.

Mr. Barre, the most fervent critic of the experiment in cohabitation and the most likely presidential candidate for the ousting UDF, also suggested that a hint of attention to working and social conditions would improve the government's image.

"Firmness should not exclude the possibility of dialogue," Mr. Barre said at the height of the rail strike.

This sentiment was echoed later by former President Valéry Giscard d'Estaing under whom both Mr. Chirac and Mr. Barre served as prime minister.

Opposition critics say that the government's haste to carry out new economic and fiscal policies while insisting on holding down wages is behind the unending image.

In the second half of January, Mr. Chirac held two meetings with all his 41 ministers to draw up priorities for the rest of the year.

Denying that he was contemplating a "pincer" in his program, he also embarked on the first of a series of provincial tours to explain his policies in person to the ordinary citizen.

Speaking in Alsace, eastern France, he announced a new plan on Jan. 26 to reduce youth unemployment.

But he stayed away from neighboring Lorraine where, two days later, stockpilers closed their shutters and workers blocked roads in a general strike called to protest the lack of government plans to attract new industry to replace jobs lost in the area's failing coal mines.

The same week, Mr. Chirac promised to give new life to social dialogue and offered to meet the leaders of the main trade unions to discuss their concerns.

He had earlier been criticized as being the first French prime minister not to consult with the unions in his first months in office. His aides replied that the unions had not sought a meeting.

At the beginning of February, more trouble loomed as teachers planned new stoppages and as talks with the government on public-sector wages broke down over union demands for indexation to counter inflation.

The demands followed news that inflation in January would be around half a percentage point. The government target for all of 1987 is to keep inflation down to 1.7 percent.

Meanwhile, the students' coordination committees, set up during their strikes and protests of November and December, announced that they would meet again in March to consider their future role.

Some commentators expect them to join with the teachers to protest reforms in the schools.

Analysts of the social scene say that the cycle of one-day stoppages will probably continue, especially in sectors where attempts have been made to change workers' professional status.

In addition to Mr. Chirac's social worries, the threat of terrorism, which presented him with his first real crisis, still hangs over the country.

Eleven persons died in a series of bombings in Paris last September. The explosions were claimed by a group demanding the release of Georges Ibrahim Abdallah and two other Middle Eastern prisoners held in French jails.

Mr. Abdallah is due to go on trial this month for complicity in the murders of a U.S. military attaché and an Israeli diplomat in 1982. French officials fear that the trial could be followed by a resurgence of terrorist attacks.

What the next few months bring for France will be crucial for Mr. Chirac.

Unless he can cool the social atmosphere and go into the presidential elections with a successful overall record behind him, most analysts predict one of two options: a new administration headed by Mr. Barre or even a new center-left coalition with Mr. Mitterrand remaining for a second term in the presidency.

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Cash Keeps Tokyo Afloat

IT IS THE KIND OF ARGUMENT that routinely works its way through the marketplace when analysts exhaust the seemingly more plausible reasons to explain a rally. And this time is no different. Now that the Nikkei index has passed 20,000 in defiance of Japan's somber economic prospects and a market price-earnings multiple approaching 50, experts are once again talking about the excess liquidity that drives the Tokyo Stock Exchange.

Japanese institutions, so the argument goes, are flush with cash and, in the absence of better investment alternatives, have been pumping money into the stock market at an alarming rate. It is reckoned that more than 20 trillion yen (about \$135 billion, at current exchange rates) in fresh funds flowed into the market last year, an even more startling amount considering that foreign investors were net sellers of Japanese securities in 1986.

Tokkin funds account for the biggest chunk of new investment. These giant funds, which invest surplus corporate cash, have grown enormously thanks largely to the reluctance of Japanese companies to embark on capital spending plans because of the economic slowdown. It is even suspected that the proceeds from recent corporate borrowings in the Euro market are being funneled directly into the Tokyo market until the Japanese economy displays more vigor.

"If you can't generate income from normal operations, you naturally look elsewhere," says Paul Aron, vice chairman of Daiwa Securities America, a subsidiary of the big Japanese brokerage. He estimates that large Japanese companies are deriving about one-half of their pretax income from the stock market.

WHILE SUCH LIQUIDITY is necessary to sustain a rally, whether it is a sufficient reason to investment in Japanese stocks is another matter.

"Our experience is that it has been a relevant argument, even with the multiples so high," says Jacob Van Druyn, head of research and capital management for the Robeco group of funds in Rotterdam. Adds Laura Luckyn-Malone, who manages the Japan Fund, a closed-end fund listed on the New York Stock Exchange: "You can't fight it."

Such money managers say that the sheer weight of money will continue to sustain Tokyo's rally. The Bank of Japan's relaxed monetary stance, which has resulted in bond yields of just 4.5 percent, will likely continue, they note. Moreover, Ms. Malone says tax reform this year will probably eliminate the exemptions on certain popular deposit accounts. Much of this cash is likely to flow into Japan's mutual fund industry, she says.

Still, some money managers are skeptical. Glen Wellman, who manages Alliance Capital's International Fund in London, has reduced the Japanese portion of his \$170 million portfolio to 20 percent from 35 percent a year ago.

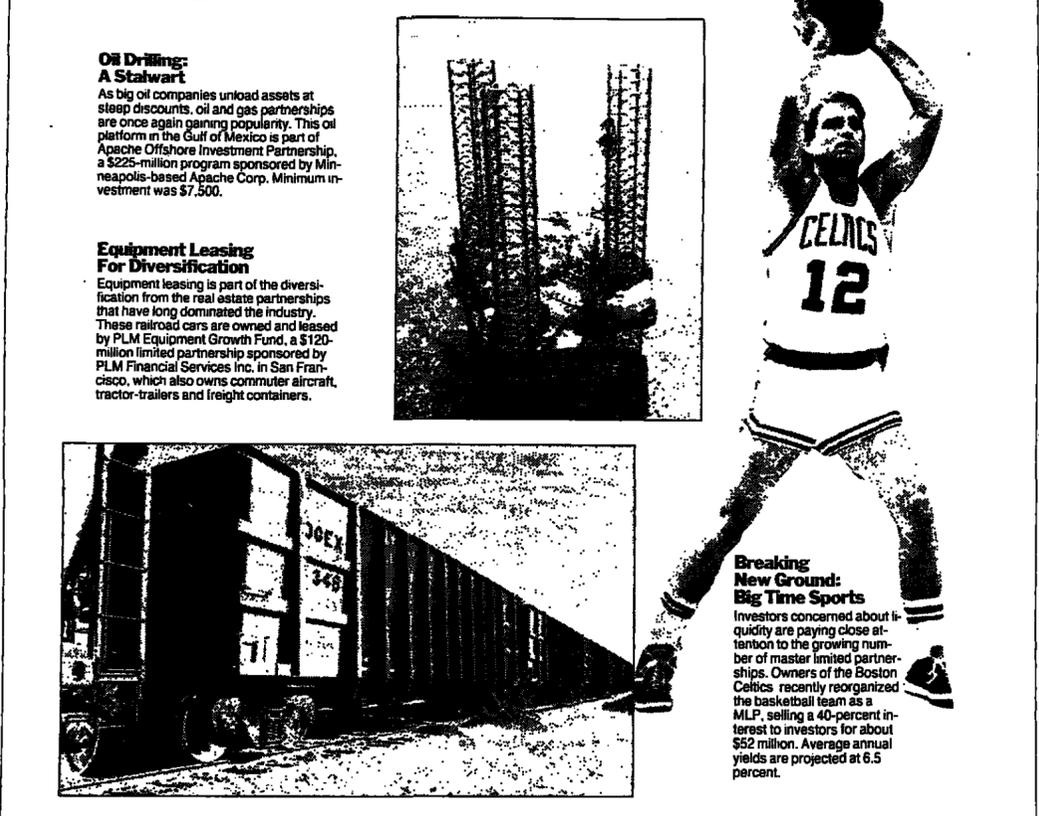
"If Japanese companies suddenly have a drain on their profitability, there won't be a surplus of funds and you could see a big correction," Mr. Wellman says. He adds that the problem with a liquidity-driven market is that it is "not forecastable."

Indeed, some adherents of the liquidity argument admit to concern about the unpredictability of the market. One disturbing sign that liquidity may be getting out of hand, Ms. Malone says, is the heavy volume in seemingly unmissed issues such as Nippon Steel, whose outlook is anything but upbeat.

"Liquidity is a creature of confidence," she says. "Therefore, it can evaporate easily."

John Meehan

The New Look in Limited Partnerships



Oil Drilling: A Stalwart
As big oil companies unload assets at steep discounts, oil and gas partnerships are once again gaining popularity. This oil platform in the Gulf of Mexico is part of Apache Offshore Investment Partnership, a \$225-million program sponsored by Minneapolis-based Apache Corp. Minimum investment was \$7,500.

Equipment Leasing For Diversification
Equipment leasing is part of the diversification from the real estate partnerships that have long dominated the industry. These railroad cars are owned and leased by PLM Equipment Growth Fund, a \$120-million limited partnership sponsored by PLM Financial Services Inc. in San Francisco, which also owns computer aircraft, tractor-trailers and freight containers.

Breaking New Ground: Big Time Sports
Investors concerned about liquidity are paying close attention to the growing number of master limited partnerships. Owners of the Boston Celtics recently reorganized the basketball team as a MLP, selling a 40-percent interest to investors for about \$52 million. Average annual yields are projected at 6.5 percent.

U.S. deal makers are stressing income and looking abroad for new investors.

By Alex Barnum

IN THE PAST FIVE YEARS, Lawrence D. Menconi Jr., a co-owner and vice president of a successful graphic arts company in Des Plaines, Illinois, has become a more sophisticated investor. Emboldened by the fast growth of his company, Mr. Menconi has dabbled in some pretty risky investments: apartment buildings, oil wells and silver mines.

But now that the Tax Reform Act of 1986 effectively eliminates tax shelters from the U.S. tax code, Mr. Menconi is changing his strategy. "I've taken more of a conservative posture," he says. "Now I'm looking into profitable things with more emphasis on cash flow, not tax shelters."

Mr. Menconi's attitude is not uncommon among investors who bought tax shelters. Until last year investors in the United States could purchase interests in limited partnerships, which invest in everything from real estate to motion pictures, and count on immediate tax write-offs against their income.

But with the loss of tax shelters, partnerships are shifting their focus to income-oriented programs that produce immediate returns and away from deals in which the major attraction was the huge tax advantages. "Everyone is designing partnerships to produce current income," says William G. Brennan, publisher of Brennan Reports, a tax and investment planning newsletter.

This could broaden their appeal. Already, partnership sponsors are casting eager eyes at overseas investors who have generally steered clear of partnerships in recent years because of a tax theme that seemed better suited to U.S. investors. "Limited partnership" is not something that rolls off the tongue of the European investor," acknowledges Charynn Goins, who manages foreign offerings for Integrated Resources Inc., a \$2.1 billion financial services company in New York.

The hope is that foreign investors will find the new offerings hard to pass up, especially now that some partnerships are being packaged exclusively for them. Coupled with overbuilding in real estate and low prices in oil and gas — the principal areas of partnership investment — the loss of tax shelters has tightened the belt on the industry. This year, investors are expected to pour \$13.4 billion into partnerships, compared with a record \$19.1 billion only two years ago, according to Fuhrman Nettle, vice president of Robert A. Stanger & Co., a Shrewsbury, New Jersey, investment research firm.

Despite some major casualties, such as the founding of the \$3 billion empire of Craig Hall, a Dallas real estate syndicator, most partnership sponsors are adapting. Faced with declining demand for these investments and a strong stock market, they have reduced commissions and front-end fees and created new ways of financing and structuring deals.

"A lot of the private syndicators are obviously in big trouble," says David B. Levinson, a tax partner at the New York law firm of Rogers & Wells. "But this new marketplace is more efficient. The fees are less and returns are up. What you're seeing is the effects of real economic competition."

Nevertheless, the basic advantages of a partnership investment remain the same. By pooling resources, a

Partnerships That Trade Like Stocks

INVESTORS CONCERNED over liquidity but tempted by the benefits of a partnership might consider master limited partnerships, which are gaining popularity. As William Turchyn Jr., a senior vice president at E.F. Hutton & Co., notes: "MLPs walk and talk like a public offering of common stock."

Master limited partnerships made their debut in 1981, when Apache Petroleum Corp. rounded up 33 of its older oil-drilling partnerships and exchanged their units for shares in a single, public limited partnership that trades on the New York Stock Exchange. While Apache shares plummeted, because of declining oil prices, the idea caught fire.

Spurred by obvious tax advantages, a spate of publicly owned corporations have converted to MLPs. Whereas the federal government taxes corporations twice — once on company revenue and again on dividends paid to investors — a partnership is taxed only once, at the investor level. Thus, some well-known

companies, including T. Boone Pickens's Mesa Petroleum Co., have made the switch.

Master limited partnerships have spread to real estate in recent years in a third form that enables companies to raise money from the sale of assets. Pillsbury Co., for example, last year wrapped up 128 of its Burger King restaurants into an MLP, for which the public paid \$92 million at \$20 a share. In a similar deal, owners of the Boston Celtics are selling a 40 percent interest in the basketball team for \$52 million.

Finally, MLPs are being used for new ventures, particularly in cable television. Prime Cable Income Partners is raising money to buy cable stations. But these deals start out as partnerships and will take a couple of years before they are listed on an exchange.

During 1986, the industry's fifth year, 24 new MLPs appeared on the market, raising \$2.5 billion, according to Robert A. Stanger & Co. While the majority are in oil and gas and real estate, other areas, including minerals and equipment leasing, also have caught on.

Some analysts deride MLPs as a long-term investment gussied up to attract investors who value liquidity and lower risk. That, they say, betrays the nature of the partnership investment.

Further, the stock market is likely to value the assets differently from their appraised worth. "When you are investing in an MLP that is in real estate," says Fuhrman Nettle, Stanger's vice president, "you expose yourself to the vagaries of both the real estate market and the stock market."

A final concern among investors is that MLPs will not survive the scrutiny of Congress or the Treasury Department. The government is concerned that this new form will result in a major loss of corporate tax revenue.

"The market is getting saturated with MLPs," says William G. Brennan, publisher of Brennan Reports. "I don't think Congress will tolerate it. At the rate it's going, what's to prevent GM from being an MLP?"

Alex Barnum

Continued On Page 10

BOURSES

A U.K. Market For Ventures

FOR TWO HUNDRED YEARS, British business survived happily with only one stock exchange. Then in 1980, the Thatcher government set up the Unlisted Securities Market to encourage the growth of small companies. Now, just seven years later, the Third Market, for still smaller companies, is in action.

The new market is essentially the London Stock Exchange's response to the government's new regulatory system for the securities industry. The rules put forth by the recently founded Securities and Investment Board are expected to cripple, possibly even kill, Britain's over-the-counter market, informal trading in the shares of around 200 small companies that cannot or choose not to seek a USM listing.

Although the OTC market has grown, it has been dogged by scandals. Dealers have gone bust, and investors have lost money. The new Third Market, set up by the LSE with some of the same safeguards that exist in the larger markets, is an effort to create a respectable environment for investment in small companies.

"The full stock-exchange listing," says John Aarons, the LSE's assistant director of policy and markets, "is for companies with a five-year track record. The USM requires three years. The Third Market is for companies with only a one-year record." The market will even accept companies that merely have a sound business plan, provided there is a well-researched product and an expectation of good cash flow in a reasonable period of time.

Of the eight companies that began trading in the Third Market on Jan. 26, only Unit Group, which makes timber pallets, was never traded before. Others, such as Catalyst Communications, a publishing and marketing company, and Aberdeen American Petroleum, an oil explorer and producer, have been traded on the OTC or under special provisions of the stock-exchange rules for small companies. Exchange officials hope to have at least 100 companies listed by the end of the year.

"They are all relatively stable and good-quality companies," says Ted Awty of the accounting firm Peat Marwick, "who want capital either for development or for work." A typical Third Market company, Mr. Awty says, is likely to have annual profits of £200,000 to £500,000 (about \$450,000 to \$750,000, at current exchange rates) and a market capitalization of £3 million to £5 million.

But there is no mistaking the much higher risk involved in Third Market companies. "The USM," Mr. Awty says,



"is not a quarter as risky as this. This is a high-risk, high-reward opportunity, in a well-regulated environment."

Rory Tappin of the London brokerage firm Rowe & Pimman says small investors will have to study the companies very carefully.

"I'd be looking for something fairly well asset-backed," he says, "with an established management who have at least one or two well-known names on their board of directors."

For a small company, the new market represents an alternative to venture capital. That may have advantages for the company, but potential disadvantages for investors. Indeed, London analysts say it is inevitable that a significant number of the young companies that come to the Third Market will go bankrupt.

"A venture capitalist specializes in offering financial advice, supporting or even replacing management when necessary," says Andrew Davison, managing director of County Development Bank. "The Third Market doesn't offer the continuing support a venture capitalist can give."

"Investing in young companies can be very rewarding," he adds. "We've made returns of 30 percent a year. But that's with a diversified portfolio of over 200 companies, and years of experience of dealing with companies in growth phases."

The LSE's answer to the problem is to require the broker sponsoring a company's entry to the Third Market to take a keen interest in the company's affairs. And a lot will depend on how the sponsor's obligations work out in practice over the coming months. Some venture capitalists doubt that brokers will take a continuing interest on the necessary scale.

By and large, though, the venture capital community is welcoming the Third Market. Besides offering competition, the new market provides an exit route for venture capitalists when they want to reduce their holdings in a company. It is also seen as a source of positive publicity for small companies with the investing public.

FOR THE BRITISH TAXPAYER, a major attraction is that investments in a Third Market company are eligible for tax deduction under the Business Expansion Scheme. BES allows an individual to deduct up to £40,000 of an investment from his taxable income, provided the investment is held for five years.

Analysts see the BES as a major selling point for the Third Market. However, the five-year obligation may create problems for some.

"Liquidity will undoubtedly be the main problem," Mr. Awty says. "The market will be small, and the amount of equity in each company will probably be less than 50 percent. We'll probably see rapidly fluctuating prices. I expect buying will be O.K., but it might be difficult always to sell at a price."

The OTC market has had liquidity problems. Roger Myers, chairman of Theme Holdings, a restaurant group that now trades on the Third Market, said he found that his company's shares on the OTC "were about as tradeable as the Polish zloty." Experts hope that participation by the market-makers of the larger, more professional brokerage houses will improve the situation on the Third Market.

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The Thorny Issue of Brokerage-Customer Disputes

The Supreme Court will decide whether clients always have a right to sue.

By Phil Roosevelt

WITH CUSTOMER COMPLAINTS against stockbrokers on the rise, the U.S. Supreme Court takes up a case next month that could dramatically reduce the avenues of recourse available to disgruntled investors.

Until now, brokerage clients claiming fraud under federal securities laws generally have been able to pursue their cases either in court or before arbitration panels run by U.S. stock and options exchanges.

But Shearson Lehman Brothers is challenging that notion, arguing that clients who sign certain account agreements common among American brokerages are limited to arbitration. Many attorneys argue that these hearings are unfair to investors.

The Supreme Court review stems from a 1984 lawsuit filed by Eugene and Julia McMahon of Yonkers, New York, alleging that a Shearson broker secretly shifted them from stocks into risky options contracts, eventually losing at least half their \$450,000 life savings as well as money earmarked for employees of their funeral-home business.

Shearson insists the case belongs in arbitration, not court. "If Shearson wins, it will mean that you probably can't open a brokerage account without giving up your federal rights to a jury trial," says Norman Foster, a professor at Brooklyn Law School.

The issue arises at a critical time, for Wall Street's explosive growth during the 1980s has been accompanied by mounting customer complaints. Last year, the U.S. Securities and Exchange Commission received 16,091 complaints about brokers, up 130 percent from 1982.

Regulators and lawyers say that customer claims of "unsuitability" — where the broker recommends an investment in-



Eugene and Julia McMahon sued their broker after losing money in options.

appropriate for the investor — are among the most common, along with misrepresentation, unauthorized trading and "churning," where the broker trades mainly to generate sales fees.

In perhaps the most startling broker case of recent years, Leslie Roberts, a 24-year-old E.F. Hutton broker, pleaded guilty last week to making hundreds of unauthorized trades in his great-uncle's account, running up at least \$8 million in losses and commissions.

Brokers describe the rising complaints as a natural reflection of market growth. "More individuals enter the market, so complaints go up," says William Clark, a spokesman for Merrill Lynch.

But at the same time, doubts persist among investors about the competency of U.S. stockbrokers, who now number more than 72,000, thanks in large part to the extended market rally.

While the Supreme Court ruled in 1985 that investor claims under state laws belong in arbitration, the justices left open the question of fraud claims under federal securities law. Now the court will tackle that issue in the case involving Shearson.

Shearson's attorney, Theodore Krebech, says the firm is confident it can defend itself from the McMahon's charges, which include unsuitability, misrepresentation and churning.

Eager to avoid legal costs and unfavorable publicity, brokerages usually try to resolve disputes privately, offering a settlement if the broker is wrong.

And the houses do take steps to keep complaints from arising in the first place. At Merrill Lynch, as at most other major firms, branch managers review their brokers' accounts on a weekly basis to check for abnormal trading, and that system is backed up by centralized compliance staffs capable of tracking all accounts, says Mr. Clark, the Merrill spokesman.

Stock and options exchanges look over the shoulders of brokerages, routinely inspecting practices at their member firms. The SEC also monitors sales practices.

But neither the exchanges nor the SEC's investigations will directly result in compensation for aggrieved investors. For customers who are unable to settle privately with their brokers, the main choices has been arbitration or court.

But certainly the McMahon's are facing formidable opposition. Siding with Shearson is the SEC and the Securities Industry Association, the main trade group for the brokerage community.

In essence, it's a David versus Goliath theme, says New York attorney Theodore Eppenstein, who represents the McMahon's with his wife, Madeline.

Lawyers on both sides agree that the value of the current arbitration procedure

is likely to be the focus of the court's review. Exchanges appoint panels of three to five members that include brokerage officials as well as businessmen and attorneys who have no direct ties to the securities industry.

All of this is supposed to provide speedier and less costly dispute-resolution than is afforded by courts. Indeed, while the waiting list for hearings can be up to nine months, hearings are often concluded in just one day, and claims of under \$5,000 can be resolved by mail.

Mr. Krebech, the Shearson attorney, maintains that "the advantages of arbitration are the same for customers as they are for us." The SEC, too, says arbitration is fair, arguing, basically, that fairness is ensured by SEC oversight.

Despite such claims, advocates of investor rights have a different opinion. "The general feeling among the bar is that an investor with a big case is playing against a stacked deck when he goes into arbitration," says Sheldon Eisen, head of the American Bar Association's task force on securities arbitration.

He and other lawyers argue that arbitration fact-finding procedures can make it all but impossible to obtain the brokerage documents needed to build a case. And, while brokerage officials never make up a panel's majority, critics fear that these officials are inclined to protect their industry colleagues at the expense of customers.

In response, Edward Morris, director of arbitration for the New York Stock Exchange, points out that about 50 percent of all cases result in some kind of award to customers. He declines to describe those awards, however, saying only that he has seen them range from \$20 to \$5 million.

Regardless of the outcome of the Supreme Court case, a number of experts predict that the renewed focus on arbitration will lead to some long-discussed reforms. Chief among these is to divorce the process from the exchanges, which are essentially owned by the brokerages that make up their membership.

Meanwhile, some lower court judges are delaying broker-client cases until the Supreme Court acts. The justices are slated to hear arguments in March, and a decision is expected to take about three months. Then there are the McMahon's, now in the third year of a legal battle that has gone as far as any case can go. "It just seems to be dragging on," Mrs. McMahon says. "We thought it would have been concluded a long time ago."

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The Focus of Partnerships Shifts

Continued On Page 9 partnership offers investors a direct stake in a major project — a shopping center, an oil well or even a basketball team — without the responsibility for managing it.

But, by the same token, the disadvantages are also apparent. These investments are usually complex, often risky and generally lack the regulation of other investments, such as stocks. Tales of abusive and fraudulent deals abound. Furthermore, they require large investments over long periods and have heavy penalties for pulling out.

Partnerships are creatures of state laws and regulations vary accordingly. Generally, most states require syndicators to file a prospectus that outlines a deal's risk. In addition, public partnerships must be registered with the U.S. Securities and Exchange Commission, although regulations are not as strict as those for stock offerings.

Typically, a limited partnership is composed of limited partners, who put up most of the money, and a general partner, who organizes, manages and, through a broker, markets the program. General partners charge fees ranging from 12

percent to 25 percent of a deal's value at the outset and often receive from 10 percent to 25 percent of the profits from resale or refinancing. The big payoff is expected at the end of the deal, about 10 years in real estate.

These investments generally fall into two categories: private and public. Private partnerships, which include most late shelters, usually have no more than 35 partners who are willing to meet a minimum investment requirement of at least \$50,000. By contrast, public partnerships seek many more investors, and investment minimums could be as low as \$5,000.

Although private partnerships will be most affected by the tax change, some sponsors have long been managing income-oriented deals and have little to fear. One such company, Brookhill Group, a New York-based firm that manages mostly commercial properties in medium-size cities, offered investors a stake in a shopping center in Manchester, New Hampshire.

Beginning in 1984, Brookhill raised \$2.1 million for the project, South Willow Properties, from 28 investors who paid \$75,000 each. Brookhill bought the properties outright and quickly raised rates, thus increasing the deal's cash flow from 3.5 percent at the outset to 11 percent annually. The deal repre-

sented a departure from earlier financing methods, in which 60 percent borrowing would have been typical. "Investors are interested in more immediate cash flow," says Ron Bruder, Brookhill's president. "We stopped doing higher leverage transactions because the marketplace isn't oriented that way."

Such deals support the notion that, despite new mass marketing, partnerships remain the province of the wealthy investor. Indeed, federal law requires partnership prospectuses to include "suitability requirements," such as minimum annual income and net worth. These rules vary widely according to a deal's risk, from \$25,000 in income and \$50,000 in net worth for public deals to as much as \$200,000 in income and \$1 million in net worth for a private deal.

But Southmark expects to raise the balance by September. In addition to legal and regulatory barriers, says Richard D. Spence, president of the company's international division, Southmark has found investors reluctant to get into projects that have very little liquidity. The key, he adds, is establishing a good broker-dealer network, which Southmark has done through Instag, a firm in Cologne, West Germany.

In addition, Southmark is in the process of altering the structure of

office building and a bank. The minimum investment is \$2,500. Following the trend in financing, High Equity Partners has no debt and thus pays investors current income. Integrated Resources projects a 10 percent average annual return over the 7-to-10-year life of the project. There is a one-time 6 percent acquisition fee and a 6 percent annual management fee. And in its first foray into international markets, the company is offering the partnership for a minimum \$10,000 investment to West German and Swiss investors as well.

By far one of the more ambitious programs aimed at attracting foreign investors has been launched by Southmark Corp., a Dallas company that manages \$3.5 billion in 317 partnerships.

Focusing its marketing efforts on West Germany, where potential demand is greatest and the savings rate is high, Southmark is hoping to raise \$20 million for two shopping centers, in Panama City, Florida, and Camarillo, California. So far, only \$2 million has been raised from investors, whose \$10,000 investment is expected to yield 7.5 percent annually at the start of the seven-year program.

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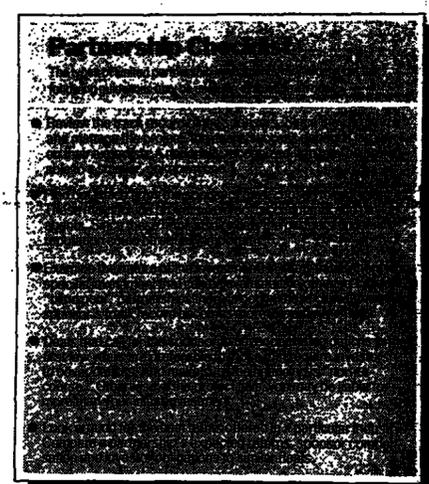
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How Fun

One of the attractions of a limited partnership is the possibility that management will be able to go "over-

the means" and the fund would be sold at a profit, which would mean a higher return than the original investment.

The third popular area for partnership investment is equipment leasing. In these deals, partners buy into assets, such as machinery, trucks or computers, that are leased to corporations. Benefits are primarily in the income generated from these leases.

In one such partnership, PLM Equipment Growth Fund, which owns and leases transportation equipment, investors with a minimum \$2,500 investment can expect a 10 percent average annual distribution, according to the offering. When the partnership is ended after 10 to 12 years, however, the equipment is likely to have depreciated in value, Mr. Brennan explains. Brokers do not always point this out, he cautions.

One feature of partnerships that scares off many investors is their lack of liquidity. Says Mr. Levinson, of Rogers & Wells: "This is the kind of investment you buy and hold."

Nevertheless, a substantial secondary market has grown up, offering investors a way out of these investments. Firms that buy partnership interests include Liquidity Fund, MacKenzie Securities and the Partnership Securities Exchange.

How Fun... PRIVATE IN LON... Grindstone Bank plc

FUNDS

Closed-End Fad: Some Stars Have Stumbled

By Cynthia Catterson

AMONG the hottest initial public offerings of 1986 were closed-end funds. Investors snapped up about \$4 billion of such offerings in the United States, the greatest surge of new closed-end funds since the 1920s. By the end of the year, though, the market was having trouble digesting the new issues and their performance was suffering.

Some buyers were no doubt beguiled by heavy marketing and the reputation of the fund's sponsors, who included big-name money managers and newsletter authors such as Mario Gabelli, Martin Zweig and Charles Allmon. By the time December rolled around, discouraged investors looking for tax losses sold their closed-end shares. Says Calvin Puckett, president of Simms Capital Management: "Once the bubble burst, the funds all dried up."

Mr. Zweig says he had expected the year-end setbacks to cool the market for a while. "But the funds seem to have bounced back, and new issues have already announced, so I'm beginning to change my mind," he says.

In mid-January, Merrill Lynch offered the \$1.3 billion Duff & Phelps Selected Utilities Fund, which invests in equity and fixed-income securities of the public-utilities industry. Oppenheimer & Co. plans to launch a \$100 million issue dubbed the Quest for Value Dual Purpose Trust. Such offerings can pay well for underwriters, who earn as much as three times the commission for selling new issues over existing funds.

Still, some market watchers view the Duff & Phelps issue, the largest closed-end entry ever, as the beginning of the end for the latest wave of funds. Thomas J. Herzfeld, a Miami, Florida, adviser who specializes in closed-end funds, says investors would probably do better to look beyond the new entrants to more seasoned issues in this sector.

Mr. Herzfeld notes that the share prices of many of last year's closed-end offerings quickly soared to stiff premiums over their net asset value—the value of the underlying portfolio divided by the number of shares outstanding—and then sunk to discounts. According to Mr. Herzfeld, last year's new issues typically sold at an average premium of 7 percent for the first three months after coming to the market, then dropped to an average 8 percent discount within the following three months.

"There was a lot of money lost

by initial investors, and money made by those who came in later," he notes.

Followers of closed-end funds—so called because they maintain a fixed number of shares—generally look for issues trading at a discount to their net asset value, on the principle that the investor gets more bang for the buck and stands to gain if the discount narrows as the market perceives the undervalued situation. The accepted view is that funds trading at a premium should be avoided unless there is a compelling reason to expect the issue to surge.

Even at these discounts, Mr. Herzfeld is steering clear of many of last year's issues. Instead, he is focusing on some special situations such as the Emerging Medical Technology fund, managed by AMA Advisors, an affiliate of the American Medical Association.

Disappearing Premiums

Fund	OCTOBER 1986			JANUARY 1987		
	Price	Net Asset Value	Premium	Price	Net Asset Value	Discount
Zweig Fund Martin Zweig	23.00	21.00	9%	21.00	21.00	0%
Gabelli Equity Trust Mario Gabelli	22.00	20.00	10%	19.00	20.00	5%
Cypress Fund Mitchell Hutchins Asset Management	21.00	19.00	11%	18.00	19.00	6%
Global Growth & Income Fund First Boston Asset Management	20.00	18.00	12%	17.00	18.00	7%
Worldwide Value Lombard Ocler	19.00	17.00	13%	16.00	17.00	8%

Thomas J. Herzfeld Advisors Inc., Miami

The Italy Fund is one example of a fund issued last year that has swung to such deep discounts that Mr. Herzfeld senses opportunity. The fund, which invests only in Italian securities, has moved from a premium of more than 40 percent in last March to a discount of about 23 percent, he notes. Another "single country" issue he finds attractive is the First Australia Prime Income Fund, whose premium has eroded since it took a pun-

Nicholas Bratt, the Korea Fund's president, concurs that premiums will gradually shrink as other means of access, such as the EuroKorea Fund and convertible bonds issued by Korean companies, provide alternative foreign investment opportunities. But he still expects the fund's price to climb. "Premiums may narrow, but the net asset value and the share price will be higher," he says.

ANOTHER USEFUL exercise is to compare how a fund stands in relation to other funds with similar assets and objectives. Investors who did so last year might not have been so enamored with the offerings by U.S. investment stars, suggests Mr. Herzfeld.

"People are buying designer funds, like people buy designer clothes," he asserts. "There are plenty of qualified managers who are not in the limelight, who have records that are just as good, but their funds are not selling at the high premiums."

Mr. Herzfeld says it is often useful to compare U.S. closed-end offerings with similar issues listed on the London Stock Exchange, where the different investment cli-

mate can produce intriguing results. Last March, he notes, the Growth Stock Outlook Trust, a fund managed by Charles Allmon, a highly successful adviser and newsletter author, was launched in the United States at \$10 a share, a 7 to 8 percent premium to its net asset value. About the same time, on the London Stock Exchange, the Edinburgh American Assets Trust, a closed-end fund of comparable makeup and strategy, was selling at a 21 percent discount for \$1.60 a share.

By January, however, the premium on Growth Stock Outlook Trust had turned into a 10 percent discount as the share price dropped to \$8.83. The shares price of the Edinburgh fund, which is managed by Ivory & Sims, had climbed to \$1.87 and narrowed its discount to 18 percent.

One London-listed fund that Mr. Herzfeld recommends is London Trust, which specializes in venture capital projects in technology. Managed by the San Francisco-based firm of Hambrecht & Quist, it is selling at about a 35 percent discount to its share price of just under \$1. He says the fund gives investors a means to participate in venture capital while maintaining liquidity.

"People are buying designer funds, like people buy designer clothes."

The fund invests in the development of medical products and services. It trades at about \$13.875, a 7 percent discount to its net asset value. Mr. Herzfeld attributes the discount to the relative obscurity of the fund, which trades on the American Stock Exchange and has no active sponsorship among brokers. Mr. Herzfeld would be a buyer when the discount reaches 10 percent.

Another Herzfeld favorite is Baker Fortress, which manages an extensive blue-chip portfolio with the goals of long-term growth and moderate income. He notes that the officers of the management company own a substantial portion of the fund's equity. The management tends to buy back shares when the discount widens to more than 15 percent, he says. Baker Fortress sells on the over-the-counter market at about \$45.50, a 16 percent discount to its net asset value.

Monitoring the movement of discounts is an important part of playing the sector. Discounts can just as easily widen as they can narrow, with negative consequences for returns. Specialists suggest that investors track the fund they are considering for a while and wait until discounts are no less than 5 percentage points wider than the average discount of the fund before buying.

meeting from the drop in the Australian dollar.

Indeed, there can be cases when a premium need not be a deterrent. The Korea Fund, managed by Scudder Stevens & Clark, is an example of an issue that still enjoys strong demand despite a stiff premium. It has been one of the few vehicles available for foreigners to invest in the South Korean market, although a EuroKorea Fund is reportedly being readied for launch on the London Exchange in March.

The Korea Fund's premium has ranged from 30 to 100 percent of its net asset value since it was launched at a 13 percent premium in August 1984. "The high premium primarily reflects investors' confidence in the current industrial boom in Korea," Mr. Puckett notes. There has been talk of the fund's value tripling within the next five years.

Some analysts believe the optimism is overdue. They cite the instability of the Korean government and question whether the Korean economy can continue its strong growth. Even if these worries prove unfounded, Mr. Puckett says, premiums could plunge as the Korean government follows through on plans to open the market to foreign investors during the 1990s.

How Funds Get Locked In

ONE of the attractions of buying a closed-end fund with a hefty discount has typically been the possibility that management might decide to go "open-ended."

This means the fund would be turned into a mutual fund, whose prices mirror their net asset values. In that event, investors who bought the fund at a discount before it "opened" would reap an immediate profit, being able to redeem their shares at net asset value.

Traditionally, shareholders fed up with persistently deep discounts could try to muster enough votes to force the fund to liquidate, change management or become open-ended to protect their investment. Indeed, institutional investors in Britain have put more

performance pressure on fund managers there to maximize share values or face what is called "unitization" in British parlance.

But many of the newer American funds now carry anti-takeover provisions in their bylaws and charters designed to frustrate any effort to buy up the shares at a discount with the aim of forcing changes on management. These provisions have the effect of putting most of the decision-making clout in the hands of the managers.

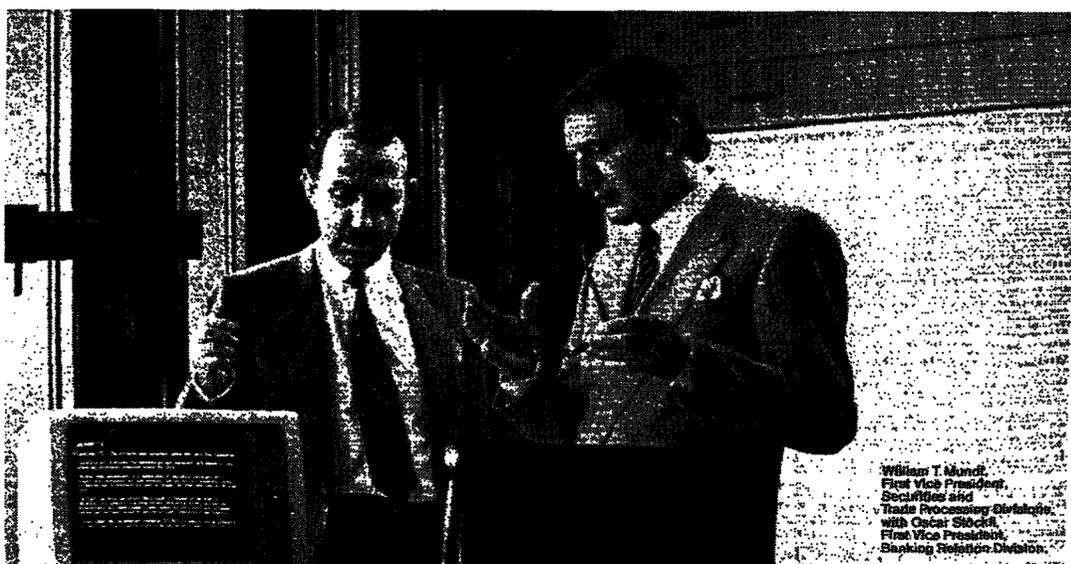
Thomas J. Herzfeld, an investment adviser who specializes in closed-end funds, says closed-end funds that have such restrictions are like ships without lifeboats. "There's no way for investors to save their money if the fund starts to turn sour," he says. He recommends avoiding funds with anti-

takeover provisions unless they are trading at extremely wide discounts.

Of the new issues that do not include such provisions, Mr. Herzfeld sees the First Financial Fund as a likely candidate for reorganization. The fund, which was issued last May, is one of five that invests in regional banks and thrifts. All five funds have gone to wide discounts of about 18 percent.

However, First Financial is the only one that does not have anti-takeover provisions in its charter. In addition, the fund is managed by Wellington Management, which also runs the Vanguard group of mutual funds. That factor, he believes, is likely to weigh heavily in favor of First Financial's reorganization.

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THE TRADER

A Renewed Fascination With Warrants

By James C. Boland

THE ALLURE OF STOCK WARRANTS — rights that allow investors to buy common shares for an extended time at a fixed price — tends to rise and fall with speculative fervor. The game offers both big rewards and high risks. Indeed, many holders of warrants have done quite well in the recent Wall Street surge. But not all warrant holders have struck gold: many issues bypassed by the bullish crowd. Stock options, another speculative play, have done much better on average.

However, in some ways, warrants are often more attractive than options. While both represent a right to buy stock at certain prices, the longest life of a listed option is nine months. Many warrants have years to run, enabling an investor to place a relatively low-cost, long-term bet on a company.

When the bet is successful, a warrant payoff — like an option payoff — can far exceed the return on the related common stock. In the last year, ICN Pharmaceuticals, which trades on the New York Stock Exchange, ran from \$10.25 to as high as \$34. But in the over-the-counter market, the ICN warrants, which entitle the holder to buy the common at \$9 through May 1989, shot from \$4.25 to \$26.25. The gains: 231 percent for the stock, 517 percent for the warrants.

Of course, the volatility sword can cut both ways.

By the end of January, ICN common had fallen about 26 percent from its peak, to \$24.50, while the warrants had sagged 39 percent, to \$16. And that was a modest drop compared with the routs in some other warrants tied to falling stocks.

The warrants on MCI Communications, which enable the owner to buy the common at \$27.50 until August 1988, have traded as low as 6 cents in recent weeks, as the stock drifts just over \$6. For the warrant, that is a loss of more than 99 percent since 1983, when the stock topped \$28.

The market in warrants is a bazaar of unique and sometimes puzzling creations. They are usually issued by lesser-known companies as part of financings to lower interest rate costs or raise equity sale prices by offering investors a kicker. Many warrants are issued by companies whose stocks are not covered by options.

A warrant may give the holder a right to buy a full share at a certain price, or a partial share. The exercise price may change at various dates, \$9 until 1988, for example, \$9 after that. Some warrants may be called back by the company at certain prices before expiration. Expirations may be extended or other terms adjusted. In addition, stock bought by some warrants can be paid for with bonds, preferred stock or another senior security of the issuer, at face value. If such securities are trading below par, this can create a discount in the effective exercise price.

"You are buying them for leverage, looking for more bang for your buck," says Allan S. Lyons, executive editor of Value Line Convertibles, a survey covering convertible securities, including about

95 actively traded warrants. Warrants, on average, are three and a half times as volatile as common stocks, according to Mr. Lyons, but "only one-third as risky as the typical option." The difference is largely a product of the differing lifetimes of the securities — in theory, infinite for a stock, years for a warrant, and months for an option.

Mr. Lyons looks for "favorable leverage, where the warrant will move up faster than it will go down on equal moves in a stock." Usually, such favorable leverage can be found in an inexpensive, but long-lived, warrant on a stock trading not far below the exercise price.

"If the stock goes up 10 percent, the warrant may go up 100 percent," Mr. Lyons says. "But if the stock goes down 10 percent, the warrant may only go down 40 percent." This is because investors will pay something for the warrant on the chance the stock will recover.

As an example, Mr. Lyons cites the warrant on Clabir Corp., a small holding company trading at about \$7.625 on the NYSE at the end of January. The warrant, quoted at about 69 cents on the American Stock Exchange, enables the owner to buy a share of Clabir's Class B common at \$9.34 until July 1991. However, using Clabir's \$3.31 preferred stock in payment cuts the effective exercise price to \$7.65, just about the common's current level.

"On a 25 percent rise in the stock, we calculate the warrant would go up 175 percent," Mr. Lyons says. "On a 25 percent drop, we think the warrant would go down only 35 percent."

Warrants on three interest-sensitive Big Board

issues were cited recently by Value Line Convertibles as timely buys:

- The Federal National Mortgage Association (Fannie Mae), exercisable at \$44.25 until February 1991, trading over the counter at about \$14.80, versus \$42.25 for the common;
- Mortgage and Realty Trust, good for 1.5 shares at \$20 a share until January 1992, trading at \$3.13 on the Amex, versus \$22 for the common;
- Student Loan Marketing Association (Sallie Mae), exercisable at \$100 until August 1991, trading over the counter at \$13.75, versus \$72.75 for the common.

But Sidney Fried, editor of the RHM Survey, which covers warrants, options and low-priced stocks, described warrants on Fannie Mae and Sallie Mae as "just trading vehicles," lacking the spectacular leverage of a low-priced warrant. Indeed, Mr. Fried finds that the 500 issues his 25-year-old service monitors are overpriced as a group.

"The play in warrants comes when a market turns down sharply and warrants go down to pennies," Mr. Fried said. "Then, if there are enough years left in the warrant and the company survives, you can get some tremendous leverage. The real play is great patience."

Mr. Lyons said that warrant premiums appear to be relatively higher now than those on options, reflecting speculative interest.

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STRATEGY

Merchant Banks: The Ardor Cools

Scandal and competition cloud their prospects.

WHEN ROD BARRETT talks about shares in Britain's merchant banks these days, it is with a subdued tone that contrasts sharply with the excitement that surrounded the sector last year. "The outlook is for a flat year," says Hoare Govett Ltd.'s banking analyst. "There are no buys for now."

This negative view is fairly common in London's financial district. Roiled by scandals and faced with an uncertain profit picture, most analysts have been warning their clients to tread warily among merchant banks in the months ahead.

Of immediate concern to many experts is the adverse publicity being generated by the Guinness PLC affair and speculation about Morgan Grenfell & Co.'s possible involvement in a stock-manipulation scheme. Most analysts expect the scandal to dominate headlines for some time and the prospect of a steady stream of revelations has made many cautious of the sector as a whole.

Christopher Davis, an analyst at L. Messel & Co., fears that merchant banks that have little interest in the merger and acquisitions business at the heart of the current scandal "may be dragged down in this bloodbath."

Indeed, the tougher takeover disclosure rules issued late last month have already taken a toll on the sector.

Merchant banks, most notably Morgan Grenfell and Hill Samuel Group PLC, have been the focus of takeover talk for some time. Many analysts felt foreign investors were especially interested because of what were perceived to be undisclosed assets and the key position of merchant banks in London's financial industry.

But it is widely feared that the new regulations, which require investors to disclose their share dealings after acquiring more than 1 percent of a company involved in a takeover, will frighten potential suitors away.

At the same time, analysts have deep reservations about the earnings potential at several banks. Merger and acquisition activity is expected to be down sharply this year now that many of the big deals are completed. Moreover, they say the fallout from the Guinness affair may further diminish opportunities.

"There is no shortage of messages from the authorities that [the merchant banks] should play the game fairly or see an SEC-type of regulatory body," says Hoare Govett's Mr. Barrett, referring to the U.S. Securities and Exchange

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in January.

New York Stock Exchange:			American Stock Exchange:		
Percent Gain	Price Jan. 30		Percent Loss	Price Jan. 30	
Southwest Forest	74	31.13	Fisher Foods	26	10.38
First Capital Holdings	66	24.75	Fischbach Corp.	20	20.88
Franklin Resources	50	49.63	Wells Fargo Mortgage	20	22.63
Pope & Talbot	48	34.00	Arkansas Best Corp.	17	22.13
Mattel Inc.	47	12.13	TDK	15	40.75
General Datacomm.	47	11.75	Circle K Corp.	12	14.13
Carter-Wallace	46	109.75	Fabri-Centers	12	10.38
Computerision	45	19.38	Far West Financial	11	12.38
Computer Assoc. Int'l	44	39.50	Knogo Corp.	11	20.13
Keystone Consol.	42	10.13	Republic New York	10	51.50
Over the Counter:			Tokyo Stock Exchange:		
Northwestern States	86	10.25	Endnotrons	49	10.50
NEEC Inc.	85	12.50	Commonwealth Banc.	26	24.50
Continuum Co.	80	16.25	Home Federal Maryland	25	10.50
Brantree Savings	73	22.00	Hauserman Inc.	22	14.75
Quincy Co-op Bank	72	27.25	Highland Superstores	21	13.75
Long Term Credit Bk.	69	18.300	TDK	20	3.090
Sanwa Bank	63	2.440	Matsushita Commun.	20	2.720
Bank of Yokohama	62	1.640	Omrn Taisei	20	1.240
Tanyo Kobe Bank	61	1.200	Jeol	19	728
Bank of Tokyo	60	1.490	Fanuc	19	5.180
Sumitomo Trust	55	4.190	Kokusai Electric	18	1.660
Fuji Bank	54	1.180	Makita Electric	18	1.170
Nippon Steel	49	2.770	Toyota Motor	17	1.830
Hokkaido Takushoku Bk.	47	877	Japan Radio	17	1.040
			Nitto Electric	17	1.660

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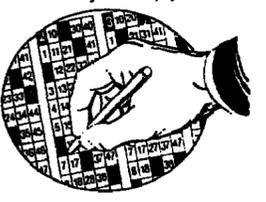
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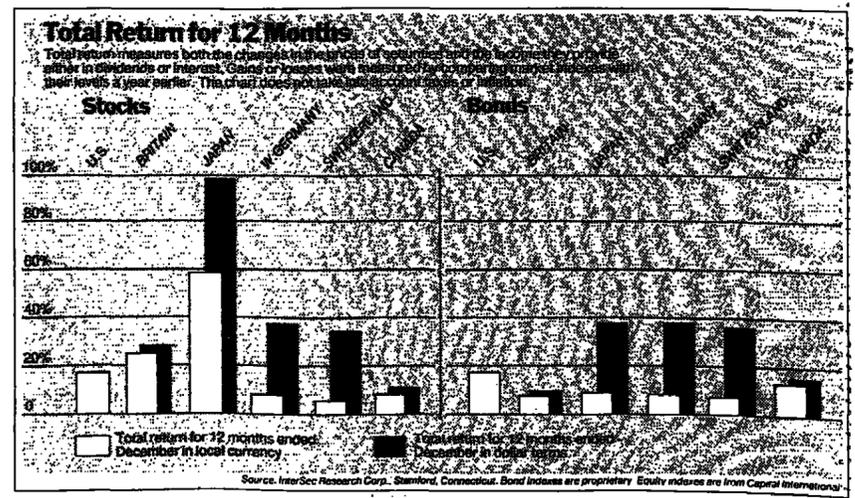
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MONDAY, FEBRUARY 9, 1987



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EUROBONDS

Frenzy for Dollar Looked Overdone by Week's End

By CARL GEWIRTZ

PARIS — The dollar was back in favor last week, carried higher by a wave of euphoria that put the worst of America's economic problems in the past tense...

The Japanese were clearly impressed by the trade figures. Traders were also convinced that the dollar's failure to drop below 150 yen had made that a stable floor.

AS THE DOLLAR soared through levels that traders considered important "resistance points," the dollar's appreciation began feeding on itself.

But by the end of the week, it was all looking a bit overdone. The statistics indicating a buoyant economy may be good for the stock market, but should be bad news for the bond market.

In addition, although the Treasury and the Fed may now see eye to eye on a need for more exchange-rate stability, it does not follow that either is prepared to see the dollar appreciate so long as economic growth in West Germany and Japan remains in the doldrums.

The ebullience in the international capital market was best demonstrated by the flood of currency contracts giving investors options to buy dollars at fixed exchange rates.

No two contracts were alike. Three were to buy dollars at a fixed rate of exchange in marks. Citibank's two-year options, priced at \$39 each, were at an exchange rate of 1.82 DM per dollar.

Options using the Swiss franc were offered by Swiss Bank Corp., Merrill Lynch and Citibank. SBC sold two-year contracts at \$36.20 to buy dollars at 1.6 francs.

The most obvious option, yen against dollars, was strangely missing until Royal Bank of Canada announced its intention to offer two-year contracts to buy or sell yen. The call contract, indicated at \$34.50, is to give holders the right to buy \$500 at 155 yen. The put, to be priced at \$36.50, will entitle holders to sell \$500 at 145 yen.

Other banks that had been knocking at the door of Japan's Ministry of Finance for permission to use the currency this way were taken aback and suspected that Royal Bank had failed to seek approval. Thus, there was some question whether the bank would be forced to withdraw its proposed offering on Monday.

As far as economists are concerned, the only point in common with all these options is that they are expensive. Looking at

See EURO BONDS, Page 15

Better U.S. economic statistics should be bad news for the bond market.

To Cure 'Capitalist Vice,' Cuba Applies Austerity

By Joseph B. Treacser

New York Times Service

HAVANA — Last spring, Fidel Castro discovered that a garlic farmer was making \$50,000 a year by privately selling what he had left over after meeting his quota for the state agriculture system.

He was stunned. His revolution, now in its 28th year, was being deformed, he said. Cuban Communists were behaving like "capitalists in disguise."

EC Ministers To Discuss Currencies

BRUSSELS — European Community finance ministers meet here Monday to discuss currencies, with major economic powers still apparently split over what should be done to stabilize the dollar.

The meeting is routine, but EC officials said much of the discussion was likely to focus on turmoil in foreign-exchange markets caused by the sliding dollar.

The dollar's fall has set off speculation that the Group of Five leading industrial countries would meet soon to seek an agreement on shoring the dollar up and stimulating world economic growth.

Rumors of an impending meeting were a major factor behind a rebound in the dollar in the latter part of last week.

The Belgian finance minister, Mark Eyskens, who will chair Monday's session, has repeated a call for a meeting.

But the five, the United States, Japan, West Germany, France and Britain, appear to be divided over how useful it would be.

Mr. Eyskens' call is likely to be strongly opposed by France, a staunch advocate of greater international monetary cooperation.

But West Germany and Britain are known to make that a meeting could fail, and make currency markets even more jittery.

Bonn is also widely believed to be skeptical about any formal accord with the United States after a U.S.-Japanese agreement last year to stabilize the dollar-yen rate proved largely ineffective.

Monday's discussions are likely to be complicated by Italy's demand that any meeting should be at the level of the Group of Seven, which includes Italy and Canada.



Fidel Castro at a meeting of the Nonaligned Movement.

He faked health certificates that permitted early retirement for \$1,500 each. One artist earned \$180,000 selling his paintings to government institutions, but apparently had done nothing illegal.

It was "generalized vice," Mr. Castro said. In anger, he shut down the thriving farmers' markets in May, even though they seemed to have nearly ended the shortages of produce and meat that had been so common in Cuba in the 1970s.

EC Ministers To Discuss Currencies

MELBOURNE — Rupert Murdoch seemed certain to clinch a 2.3 billion Australian dollar (\$1.54 billion) takeover of Herald & Weekly Times Ltd., Australia's largest media group, after the only remaining rival bidder agreed this weekend to step aside in exchange for rights to buy a television station.

John Fairfax Ltd., a Sydney-based media group, dropped its 2.5 billion dollar bid for HWT early Saturday. HWT's chairman, John Dahlsten, announced after a lengthy board meeting.

He said the decision followed an agreement by the HWT board to sell HSV-7, a Melbourne TV station, to Fairfax for 320 million dollars. The station had earlier been promised to the multi-millionaire Robert Holmes à Court as part settlement to drop out of the HWT bidding. Fairfax already owns stations in Sydney and Brisbane.

Market analysts had said Fairfax offer had little chance, despite its higher value, because it depended upon courts ruling in the company's favor on several points.

Mr. Murdoch's company, News Corp., had already been promised more than 50 percent of HWT's shares by the time Fairfax made its bid on Jan. 21. News now controls more than 60 percent of HWT.

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Mr. Holmes à Court withdrew from the competition for HWT last month after Mr. Murdoch agreed to sell him the Melbourne station and another HWT subsidiary for 460 million dollars.

But last week Fairfax sparked an auction by offering HWT 270 million dollars for HSV-7 and 115 million dollars for another HWT television station in Adelaide and four radio stations.

The offer topped by 10 million dollars the price Mr. Holmes à Court had agreed to pay for the Melbourne station.

HWT's other properties include 15 newspapers.

Market sources said Mr. Holmes à Court and Mr. Murdoch had been negotiating the sale of News Corp.'s Channel Ten TV stations in Melbourne and Sydney.

Last week, Mr. Murdoch told an American interviewer that News Corp. would probably sell its television interests in Australia and concentrate on print media.

Under Australian law, he noted, "I cannot be an American citizen and actually control [Australian] television stations."

Mr. Murdoch was born in Australia but became a U.S. citizen in 1985 so that he could acquire television stations in the United States.

U.K. Aides Back Funds for New Airbus Series

By Warren Geiler

International Herald Tribune

LONDON — Britain appears set to become the first European nation to offer financial support for a new generation of Airbus Industrie planes.

The move, according to senior British trade officials, would be in part a "backlash" against complaints by U.S. officials last week about large government subsidies to Airbus aircraft.

Geoffrey Pattie, Britain's trade minister responsible for aerospace, said Sunday in a telephone interview that the Department of Trade and Industry "is in a position to make British Aerospace an offer of financial support for the new generation of Airbus jets, the medium-range A-330 and the long-range A-340."

British Aerospace PLC has requested £750 million (\$1.13 billion) in aid from the British government to begin production of the planes. Overall, more than \$3 billion in launch aid has been requested from the British, French and West German governments by Airbus companies in those nations.

"In terms of the climate" favoring such subsidies, said Mr. Pattie, "it was not particularly harmful to have had senior U.S. administration officials here making all kinds of noises."

He cautioned that while the British Department of Trade and Industry firmly backs the project, a decision to allocate funds must be approved by the full cabinet.

"Of course, the view that the DTI takes as the responsible department may not be the eventual view of the government," Mr. Pattie said. He said that the cabinet's decision would not come until late March at the earliest.

Sir Raymond Lygo, chief executive of British Aerospace, said in an interview, "It's no longer a question whether the government will support our request, but rather by how much."

"There was a widespread perception that the visit by U.S. officials last week was a heavy-handed attempt to prevent the launch of the A-340," he said. "With the compe-

dition screaming their heads off, the government knew we had a case."

He added, "Whether the amount approved will be acceptable to our needs is uncertain."

In its last application for government launch aid in an Airbus project, British Aerospace received £250 of the £500 million it sought for the A-320 passenger jet, which is to be formally rolled off the hangar Saturday in Toulouse, France. The credit is expected to be repaid with interest over the next decade.

Britain's decision on financing the new generation of jets ultimately will depend on whether enough customers have been lined up.

Mr. Pattie said he would meet French and West German counterparts in Toulouse on Saturday to discuss what number of orders should be the "prerequisite."

The Airbus consortium, which competes against the U.S. plane manufacturers Boeing Co. and McDonnell Douglas Corp., is trying to secure firm orders from at least five

See AIRBUS, Page 15

Curbs on Japan Delayed by EC

Reuters

BRUSSELS — Plans to tighten European Community anti-dumping rules aimed at Japanese companies have been held up. EC executive Commission sources have said.

The external relations commissioner, Willy de Clercq, had proposed the plans to stop Japanese companies from seeking to evade duties by assembling Japanese components at plants in EC states. It had been expected that the rules would be approved last week by a semi-automatic procedure not involving a commission meeting.

But sources said Friday the internal market commissioner, Lord Cockfield, had refused to approve the rules until it could be established whether customs officers of member states would be able to operate them.

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Last Week's Markets

All figures are as of close of trading Friday

Table with columns: Stock Indices, Money Rates, Currencies, Futures, Bonds, Commodity, and Gold. Includes data for DJ Industrials, FTSE 100, Nikkei 225, and various interest rates.

Currency Rates

Table showing currency rates for various countries including Australia, Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Netherlands, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, and others.

Table showing other dollar values for various currencies like Argentine, Australian, Canadian, Danish, Dutch, French, German, Hong Kong, Italian, Japanese, Korean, Luxembourg, Mexican, New Zealand, Norwegian, Portuguese, Spanish, Swedish, Swiss, and others.

Demand for BA Shares Was 10 Times The Number Available, U.K. Reports

LONDON — The share offering to make British Airways a private company was more than 10 times oversubscribed, the government said Saturday.

The sale of BA shares "has been a resounding success," Transport Secretary John Moore said. The offer closed Friday.

There were applications for 7.3 billion shares although only 720.2 million were on offer.

As a result, the number of shares originally earmarked for major financial institutions and overseas investors will be scaled down to give the British public a larger portion of the issue.

Trading in the shares, priced at £1.25 (\$1.90), starts Wednesday.

The £900 million sale of the state-owned airline to the private sector is the latest in a series of denationalizations by the Conservative government of Prime Minister Margaret Thatcher.

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New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Maturity	Coupon %	Price	Price end week	Terms
FLOATING RATE NOTES						
Christiana Bank	\$ 30	1990	libor	100	—	Coupon will be pegged to 6-month Libor and will first be Libor less 6%, then Libor plus 2%, Libor less 6%, Libor plus 2% and finally Libor plus 9.25%. Noncallable, Fees 0.65%.
CLAL Finance	\$ 20	1994	1/4	100	99.50	Over 6-month Libor, Redeemable at par in 1992, Fees 1.8%
FIXED-COUPON						
Banque Indosuez	\$ 50	1992	zero	70.35	—	Yield 7.703%. Noncallable, Proceeds \$35 million, Fees 1.35%.
European Community	\$250	1993	7/4	101	99.40	Noncallable, Fees 1.8%.
Société Nationale Elf Aquitaine	\$100	1997	7/4	100	97.88	Noncallable, Fees 2%.
Swedish Export Credit	\$100	1990	6 1/4	101.30	99.70	Noncallable, Fees 1.95%.
Swedish Export Credit	\$100	1994	7/4	100 1/2	98.80	Noncallable, Fees 1.95%.
Bank of Tokyo Caracas Holding	DM 100	1993	5 1/2	100 1/2	100.00	Noncallable, Fees 2.5%.
Tokyo Electric Power	DM 300	1997	6	100 1/2	99.25	Noncallable, Fees 2.5%.
Westland-Utrecht Hypotheekbank	DM 100	1997	6	101 1/4	97.75	Noncallable, Fees 2.5%.
Caisse Nationale des Télécommunications	£ 70	1997	10	101 1/4	99.40	Noncallable, Fees 2%.
Finland	£ 100	1997	10 1/2	101 1/2	100.50	Noncallable, Fees 2%.
Philips Finance	£ 40	1994	10	101 1/4	99.35	Noncallable, Fees 1.8%.
Amsterdam-Rotterdam Bank	DF 200	1992	6	100	—	Noncallable private placement.
Citibank	RM 200	1992	10 1/2	100 1/2	98.38	Noncallable.
BHF Bank Finance Jersey	Aus \$ 40	1992	14 1/2	101 1/4	99.75	Noncallable, Fees 2%.
Deutsche Bank Finance	Aus \$ 100	1992	14 1/2	101 1/4	100.60	Noncallable, Fees 2%.
Finland Export Credit	Aus \$ 50	1990	14 1/2	101 1/4	99.00	Noncallable, Fees 1.8%.
Nordic Investment Bank	Aus \$ 50	1992	14 1/2	101 1/4	99.88	Noncallable, Fees 2%.
South Australian Government Financing Authority	Aus \$ 100	1992	zero	51 1/4	50.25	Noncallable, Proceeds Aus\$57 million, Fees 1.9%.
Verenigd Overzeas Finance	Aus \$ 50	1992	14 1/2	101 1/4	99.25	Noncallable, Fees 2%.
Christiana Bank	¥ 10,000	1992	1	101 1/4	99.75	Coupon will be 1% in first 2 years and 2 1/2% thereafter, Noncallable, Fees 1.8%, Denominations 100 million yen.
Crédit Agricole	¥ 20,000	1994	5 1/2	101 1/2	100.13	Noncallable, Fees 1.8%.
Electricité de France	¥ 20,000	1994	5 1/2	101 1/2	100.25	Noncallable, Fees 1.8%.
Ford Motor Credit	¥ 15,000	1992	5 1/2	101 1/4	100.63	Noncallable, Fees 1.8%.
National Bank of Canada (London)	¥ 5,000	1994	7	100 1/2	—	Noncallable, Redeemable in U.S. dollars at maturity at a fixed exchange rate of 154.2132 yen per dollar, Fees 1.8%, Denominations 10 million yen.
Postipankki	¥ 10,000	1994	5 1/2	101 1/4	100.00	Noncallable, Fees 1.8%.
EQUITY-LINKED						
Hönan & Co.	\$ 100	1992	3 1/2	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of \$10 per share and of 152.10 yen per dollar, Fees 2.5%, increased from \$80 million.
Keihan Electric Railway	\$ 70	1992	open	100	—	Coupon indicated at 3 1/2%, Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2 1/2% premium, Fees 2.5%. Terms to be set Feb. 9.
Kobe Electric Railway	\$ 30	1992	open	100	—	Coupon indicated at 3 1/2%, Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2 1/2% premium, Fees 2.5%. Terms to be set Feb. 12.
Kyotaru Company	\$ 85	1992	open	100	99.20	Coupon indicated at 3 1/2%, Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2 1/2% premium, Fees 2.5%. Terms to be set Feb. 12.
Showa Denko	\$ 100	1992	3	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 455 yen per share and of 154.65 yen per dollar, Fees 2.5%.
Tokyo Department Store	\$ 80	1992	open	100	106.00	Coupon indicated at 3 1/2%, Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2 1/2% premium, Fees 2.5%. Terms to be set Feb. 10.
Tokyo Store Chain	\$ 50	1992	open	100	102.00	Coupon indicated at 3 1/2%, Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2 1/2% premium, Fees 1.8%. Terms to be set Feb. 10.
Toyoda Tsushu Kaisha	\$ 70	1992	open	100	100.50	Coupon indicated at 3 1/2%, Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of an expected 2 1/2% premium, Fees 2.5%. Terms to be set Feb. 10.
Wyse Technology	\$ 45	2002	6	100	105.75	Semiannually, Redeemable at par in 1994 and callable at 100 in 1990, Convertible at \$28 per share, Fees 2.5%.
Elders U.K.	DM 150	1997	2 1/2	100	—	Redeemable at 121 in 1993 to yield 5.55% and callable at 101 in 1992, Convertible at Aus\$5.43 per share, a 9.99% premium, and at Aus\$0.8233 per note, Fees 2.5%.
WARRANTS						
Citibank	0.10	24 mos	—	\$39	\$41	Each warrant gives the right to buy \$500 at a fixed exchange rate of 1.62 Swiss francs per dollar.
Merrill Lynch Int'l Bank	0.125	1990	—	\$50	\$46	Each warrant to buy \$500 at a fixed exchange rate of 1.567 Swiss francs per dollar.
Solomon	0.50	12 mos	—	\$7	—	Call warrants exercisable at 100.393 into U.S. Treasury's 6 1/2% note due 1990.
SBC Finance	0.20	24 mos	—	\$36.20	\$37	Each warrant to buy \$500 at a fixed exchange rate of 1.60 Swiss francs per dollar.
Swedish Export Credit	0.15	18 mos	—	\$39	\$44	Each warrant to buy \$500 at a fixed exchange rate of 1.79 marks per dollar.
Swedish Export Credit	0.15	1992	—	\$39	\$44	Each warrant to buy \$500 at a fixed exchange rate of 1.79 marks per dollar.
Den Norske Creditbank	0.10	1989	—	DM 79	—	Call warrants exercisable at par into a 6% bond due 1994.
DG Bank	0.20	18 mos	—	£25	£27.50	Each warrant to buy \$500 at a fixed exchange rate of 2.74 Deutsche marks per pound.
Gazunie	0.125	10 mos	—	DF 20	—	Call warrants exercisable at par into a 6 1/2% bond due 1994.
Citibank	SF 25	1990	—	SF 84	—	Options of 1,000 Swiss francs to buy U.S. dollars at a fixed exchange rate of 1.55 Swiss francs per dollar.

Loan Activity Slowing to Match Need

By Carl Gewirtz
International Herald Tribune

PARIS — The three-year-long split between the hectic level of activity in the international credit market and the relatively moderate pace of world economic growth is beginning to narrow, with the market now slowing to match the real need for new financing.

Salomon Brothers estimates that \$85 billion of Euro-commercial paper and note programs were arranged last year, 139 commercial paper programs totaling \$49 billion, and 225 note facilities of \$36 billion, up 49 percent from 1985.

In addition, the Organization for Economic Cooperation and Development estimates \$58 billion was raised by syndicated bank loans.

But analysts believe that most of this business was replacement finance. The fact that few of the CP or Euro-note programs have been fully utilized supports this view, analysts say. As a result, activity in the credit market, as in the Eurobond market, is expected to slow until the need for new cash picks up.

Unless, of course, there is a further dramatic decline in borrowing costs. But this now seems unlikely. The Electricité de France is in the market seeking to refinance a \$1 billion line of credit at lower cost and has run into some resistance.

Citicorp, which is handling the restructuring, had said all along that a number of banks in the original syndicate would take this opportunity to drop out. Many of the smaller banks that were active in the market when the loan was arranged in 1984 no longer are.

Neither Citibank nor EDF is willing to state what the dropout rate has been, but there are rumors in the market that it is substantial. No one has any doubt about that the full amount will be subscribed. The major remaining banks will take large shares and the Japanese banks that are more active now than they were in 1984 will increase their share.

Nevertheless, the operation has raised questions about whether bank charges are too low to appeal to lenders. EDF is offering an annual facility fee of 5 basis points, or .05 percent, for the 7 1/2 years remaining and will pay 2 1/2 to 10 basis points over the London interbank offered rate, depending on how much is used, to draw on the loan.

The EDF experience shows that the rare occasions last year when lower facility fees were set on much smaller loans will not be repeated, bankers say. At the very least, they say, 5 basis points now represents a floor. Some argue that this signals that charges will rise.

They may simply be whistling in the dark, however. Charges have fallen sharply as banks, with funds to lend and little new business, have scrambled to compete for lending opportunities. This is not likely to change so long as demand for credit remains subdued.

The only major new transaction announced last week was a \$360 million financing for the Meris-Toprakale Gazitane motorway in Turkey, a 150-mile (245-kilometer) section of the 2,225-mile Trans-European motorway. Chase Manhattan and Union de Banques Arabes et Françaises are arranging the transaction.

A series of private placements and dollar loans from Turkish banks will provide half the need financing. The rest will be divided between a \$55 million syndicated bank loan for Turkey and a \$135 million export buyers facility guaranteed in part by Italy's official export credit agency.

Toshiba Is 3d Japanese Firm To Settle Patent Suit With TI

Los Angeles Times Service

LOS ANGELES — Texas Instruments Inc. has settled with Toshiba Corp., one of several Japanese makers of semiconductor it sued in a patent infringement case.

The Dallas-based company, one of the pioneers in computer chip design, said Friday it had dropped the charges in exchange for a cross-licensing of the two companies' semiconductor patents, fixed royalty payments that it called "significant," and royalties based on future sales.

In January, Texas Instruments settled similar charges against Sharp Corp. and Fujitsu Ltd., two other Japanese chip makers that it claimed had continued to make patented semiconductor products after license agreements had lapsed.

Still named in the suit are five other Japanese companies: NEC Corp., Old Electric Industry Co., Matsushita, Mitsubishi and Hitachi, as well as Samsung Co., a Korean chip-maker.

The U.S. International Trade Commission has agreed to drop Toshiba from the patent-infringement investigations begun at Texas Instruments' behest.

The commission has 30 days to review the decision, but already has upheld the Sharp and Fujitsu settlements. The Toshiba agreement must also be reviewed by the Japanese government.

Hungary Must Reverse Debt Pattern Or Face 'Consequences,' Official Says

BUDAPEST — Hungary's economic problems are severe and the country "cannot take another year like 1986" without consequences, the deputy prime minister, Frigyes Berencs, has said.

"Any increase to our present loans may prove to be disastrous," Mr. Berencs said Saturday in a speech reported by the news agency MTI. He said that borrowed funds must be used more effectively.

"Through the economic situation today is really severe, we are not heading for bankruptcy," the deputy prime minister added. "It is true, however, that we cannot take another year like 1986 without consequences."

Hungary's hard-currency debt jumped by 54 percent in 1986 to \$7.7 billion, according to provisional figures from the central bank, and posted a trade deficit of \$470 million with the West.

"A turn with tangible results must be made in running the economy this year," Mr. Berencs told the Hungarian Economists' Society. The country's currency reserves plummeted last year because of the collapse in oil prices, which dashed revenues from exports of oil products refined from Soviet crude. Agricultural exports suffered from low world prices and a temporary import ban imposed by the Soviet Communist party after the Soviet nuclear disaster at Chernobyl.

AIRBUS: U.K. Aides Back Jets

(Continued from first finance page)

and A-340, Mr. Pattie said. A total of 440 orders have been placed for the A-320, including options. So far, only Luftansa AG of West Germany has placed a firm order for 15 A-340 aircraft and options on 15 more. The deal is valued at \$2.5 billion.

But industry sources in London said that Air France, the state-run airline, and Union de Transports Aériens, a private French carrier, had each placed an order for an undisclosed number of jets.

Airbus's success in securing orders for the A-320 figured prominently in the British department's decision to back aid for the A-330

Kaiser Aluminum May Sell Unit to a Dutch Company

OAKLAND, California — Kaiser Aluminum & Chemical Corp., the third-largest American aluminum producer, has reached a preliminary agreement to sell its Kaiser Aluminum Europe unit to Hoogovens Groep BV of the Netherlands for an undisclosed price.

The company lost a proxy battle last year with Alan E. Clore, a British investor, and approved a restructuring plan in December under which Mr. Clore would become chairman of a new holding company in exchange for injecting \$140 million in capital.

A Kaiser spokesman said the principal operations included in the sale agreement are in West Germany. They include a primary aluminum smelter in Vöerde able to produce 77,000 short tons (about 69,850 metric tons) a year.

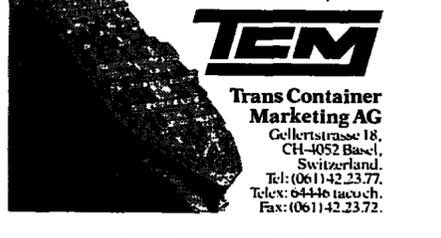
They also include an extrusion operation in Vogt; an aluminum-sheet and plate-extrusion plant in Koblenz; and a wire and cable plant in Berlin.

In addition, the European subsidiary has operations in Belgium and Switzerland, Kaiser said.

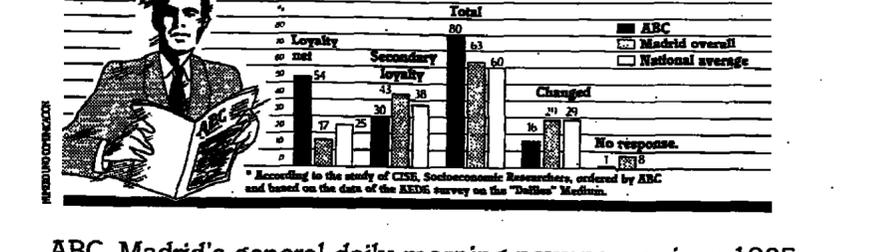
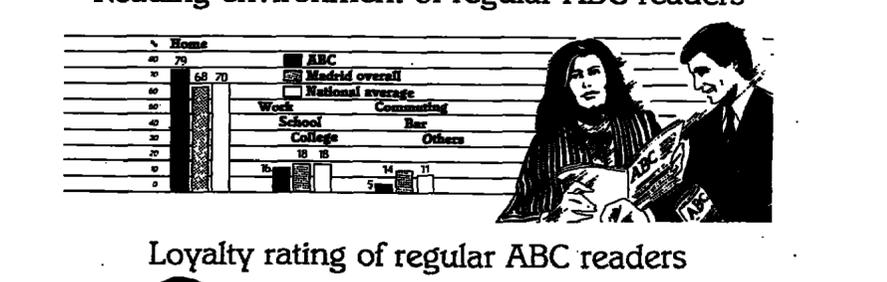
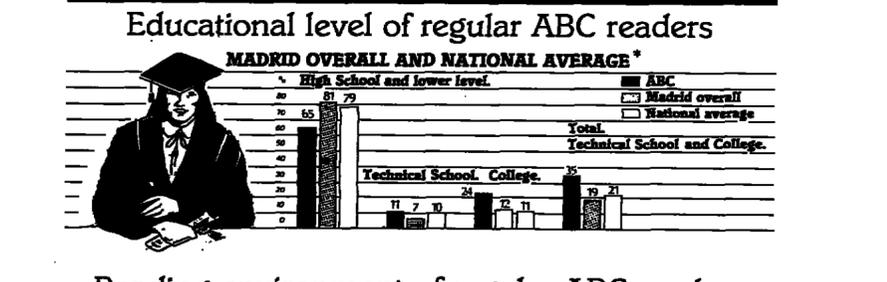
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EUROBONDS: Frenzy for Dollar Looked Overdone by End of the Week

(Continued from first finance page) forward exchange rates and volatility factors, they say the contracts are overpriced.

Bankers do not dispute that view. But they say, that is because options traded on the various exchanges do not go beyond nine months. Custom-made contracts for longer periods can be bought from banks, but these cannot be traded. Thus, the high cost compensates for the tradability of these longer dated contracts.

Institutional investors were reported to be big buyers, hedging their non-dollar stock or bond portfolios against a continued appreciation of the dollar. In addition, for many institutions this is their only opportunity to engage in currency speculation.

This effervescence in the currency bubbled over to the dollar sector of the Eurobond market. Only a trickle of fixed-coupon Eurodollar bonds has been marketed so far this year, and that, at terms generally regarded as attractive, was easily placed.

As a result, there was a paucity of paper as demand for dollar bonds suddenly picked up. By end-week, according to Credit Suisse First Boston, five-year Eurodollar bonds were yielding 35 basis points, or 0.35 percent, more than comparably dated Treasury securities. A week earlier the spread had been 48 basis points. In the 10-year

Treasury Bonds

Maturity	Bid	Ask	Yield	Wk. change
31.12.87	99 1/2	99 1/2	6.26	0.28
15.2.90	99 1/2	99 1/2	6.23	0.48
31.12.90	99 1/2	99 1/2	6.45	0.65
15.2.92	99 1/2	99 1/2	6.77	0.72
15.1.94	100 1/2	100 1/2	6.99	0.70
15.1.96	100 1/2	100 1/2	7.17	0.71
15.2.98	100 1/2	100 1/2	7.45	0.70
15.2.16	100 1/2	100 1/2	7.46	0.71

Source: Salomon Inc.

SELECTED U.S.A./O.T.C. QUOTATIONS

Company	BID	ASK
Bitter Corp.	3 1/4	4
Chiron	23 1/2	24
GoodMark Foods	12 1/2	13 1/2
MAG Holdings	5	5 1/2
NAV-AIR	1 1/2	2 1/4
Speardyne	19	19 1/4

WITH COMPLIMENTS OF CONTINENTAL AMERICAN
These are indicative prices as of Feb. 5, 1987

Successful Refunding Draws Sighs of Relief

NEW YORK — Bond prices were little changed as the market breathed a sigh of relief over the successful \$29 billion Treasury refunding.

The \$10 billion of three-year Treasury notes sold at a yield of 6.54 percent; \$9.75 billion of 10-year notes at 7.25 percent; and \$9.25 billion of 30-year bonds at 7.49 percent. All were well bid, with foreign investors buying up to 50 percent of the 30-year bond.

The Fed's Open Market Committee is to meet this week. Market participants differed over whether monetary policy has been altered following moves to drain money from the banking system.

NASDAQ National Market

OTC Consolidated trading for week ended Friday, Feb. 6

Sales in 100s	High	Low	Close	Net Chg
A				
ABS	23	10 1/2	10 1/2	+1/2
AEC	23	4 1/2	4 1/2	+1/2
AEP	23	15 1/2	15 1/2	+1/2
ALC	23	2 1/2	2 1/2	+1/2
AMC	23	3 1/2	3 1/2	+1/2
AMN	23	1 1/2	1 1/2	+1/2
ANR	23	1 1/2	1 1/2	+1/2
APR	23	1 1/2	1 1/2	+1/2
AQU	23	1 1/2	1 1/2	+1/2
AWA	23	1 1/2	1 1/2	+1/2
AWB	23	1 1/2	1 1/2	+1/2
AWC	23	1 1/2	1 1/2	+1/2
AWD	23	1 1/2	1 1/2	+1/2
AWF	23	1 1/2	1 1/2	+1/2
AWG	23	1 1/2	1 1/2	+1/2
AWH	23	1 1/2	1 1/2	+1/2
AWJ	23	1 1/2	1 1/2	+1/2
AWK	23	1 1/2	1 1/2	+1/2
AWL	23	1 1/2	1 1/2	+1/2
AWM	23	1 1/2	1 1/2	+1/2
AWN	23	1 1/2	1 1/2	+1/2
AWO	23	1 1/2	1 1/2	+1/2
AWP	23	1 1/2	1 1/2	+1/2
AWQ	23	1 1/2	1 1/2	+1/2
AWR	23	1 1/2	1 1/2	+1/2
AWT	23	1 1/2	1 1/2	+1/2
AWU	23	1 1/2	1 1/2	+1/2
AWV	23	1 1/2	1 1/2	+1/2
AWW	23	1 1/2	1 1/2	+1/2
AWX	23	1 1/2	1 1/2	+1/2
AWY	23	1 1/2	1 1/2	+1/2
AWZ	23	1 1/2	1 1/2	+1/2
B				
BAK	23	1 1/2	1 1/2	+1/2
BAL	23	1 1/2	1 1/2	+1/2
BAM	23	1 1/2	1 1/2	+1/2
BAN	23	1 1/2	1 1/2	+1/2
BAO	23	1 1/2	1 1/2	+1/2
BAP	23	1 1/2	1 1/2	+1/2
BAQ	23	1 1/2	1 1/2	+1/2
BAR	23	1 1/2	1 1/2	+1/2
BAS	23	1 1/2	1 1/2	+1/2
BAT	23	1 1/2	1 1/2	+1/2
BAU	23	1 1/2	1 1/2	+1/2
BAV	23	1 1/2	1 1/2	+1/2
BAW	23	1 1/2	1 1/2	+1/2
BAX	23	1 1/2	1 1/2	+1/2
BAZ	23	1 1/2	1 1/2	+1/2
C				
CAN	23	1 1/2	1 1/2	+1/2
CAP	23	1 1/2	1 1/2	+1/2
CAQ	23	1 1/2	1 1/2	+1/2
CAR	23	1 1/2	1 1/2	+1/2
CAS	23	1 1/2	1 1/2	+1/2
CAT	23	1 1/2	1 1/2	+1/2
CAX	23	1 1/2	1 1/2	+1/2
CAZ	23	1 1/2	1 1/2	+1/2
D				
DAN	23	1 1/2	1 1/2	+1/2
DAP	23	1 1/2	1 1/2	+1/2
DAQ	23	1 1/2	1 1/2	+1/2
DAR	23	1 1/2	1 1/2	+1/2
DAS	23	1 1/2	1 1/2	+1/2
DAT	23	1 1/2	1 1/2	+1/2
DAU	23	1 1/2	1 1/2	+1/2
DAV	23	1 1/2	1 1/2	+1/2
DAW	23	1 1/2	1 1/2	+1/2
DAZ	23	1 1/2	1 1/2	+1/2

Mutual Funds

Figures as of close of trading Friday, Feb. 6

NEW YORK (AP)—The following quotations, furnished by the National Association of Securities Dealers, Inc., are for the week of Feb. 6-9, 1987. The figures are for the week ended Friday, Feb. 6.

Sales in 100s	High	Low	Close	Net Chg
AMF	23	1 1/2	1 1/2	+1/2
AMG	23	1 1/2	1 1/2	+1/2
AMI	23	1 1/2	1 1/2	+1/2
AMJ	23	1 1/2	1 1/2	+1/2
AMK	23	1 1/2	1 1/2	+1/2
AML	23	1 1/2	1 1/2	+1/2
AMM	23	1 1/2	1 1/2	+1/2
AMN	23	1 1/2	1 1/2	+1/2
AMO	23	1 1/2	1 1/2	+1/2
AMP	23	1 1/2	1 1/2	+1/2
AMQ	23	1 1/2	1 1/2	+1/2
AMR	23	1 1/2	1 1/2	+1/2
AMS	23	1 1/2	1 1/2	+1/2
AMT	23	1 1/2	1 1/2	+1/2
AMU	23	1 1/2	1 1/2	+1/2
AMV	23	1 1/2	1 1/2	+1/2
AMW	23	1 1/2	1 1/2	+1/2
AMX	23	1 1/2	1 1/2	+1/2
AMY	23	1 1/2	1 1/2	+1/2
AMZ	23	1 1/2	1 1/2	+1/2

OTC

ABX	23	1 1/2	1 1/2	+1/2
ABY	23	1 1/2	1 1/2	+1/2
ABZ	23	1 1/2	1 1/2	+1/2
ABA	23	1 1/2	1 1/2	+1/2
ABB	23	1 1/2	1 1/2	+1/2
ABC	23	1 1/2	1 1/2	+1/2
ABD	23	1 1/2	1 1/2	+1/2
ABE	23	1 1/2	1 1/2	+1/2
ABF	23	1 1/2	1 1/2	+1/2
ABG	23	1 1/2	1 1/2	+1/2
ABH	23	1 1/2	1 1/2	+1/2
ABI	23	1 1/2	1 1/2	+1/2
ABJ	23	1 1/2	1 1/2	+1/2
ABK	23	1 1/2	1 1/2	+1/2
ABL	23	1 1/2	1 1/2	+1/2
ABM	23	1 1/2	1 1/2	+1/2
ABN	23	1 1/2	1 1/2	+1/2
ABO	23	1 1/2	1 1/2	+1/2
ABP	23	1 1/2	1 1/2	+1/2
ABQ	23	1 1/2	1 1/2	+1/2
ABR	23	1 1/2	1 1/2	+1/2
ABS	23	1 1/2	1 1/2	+1/2

OTC

ACA	23	1 1/2	1 1/2	+1/2
ACB	23	1 1/2	1 1/2	+1/2
ACC	23	1 1/2	1 1/2	+1/2
ACD	23	1 1/2	1 1/2	+1/2
ACE	23	1 1/2	1 1/2	+1/2
ACF	23	1 1/2	1 1/2	+1/2
ACG	23	1 1/2	1 1/2	+1/2
ACH	23	1 1/2	1 1/2	+1/2
ACI	23	1 1/2	1 1/2	+1/2
ACJ	23	1 1/2	1 1/2	+1/2
ACK	23	1 1/2	1 1/2	+1/2
ACL	23	1 1/2	1 1/2	+1/2
ACM	23	1 1/2	1 1/2	+1/2
ACN	23	1 1/2	1 1/2	+1/2
ACO	23	1 1/2	1 1/2	+1/2
ACP	23	1 1/2	1 1/2	+1/2
ACQ	23	1 1/2	1 1/2	+1/2
ACR	23	1 1/2	1 1/2	+1/2
ACS	23	1 1/2	1 1/2	+1/2
ACT	23	1 1/2	1 1/2	+1/2
ACX	23	1 1/2	1 1/2	+1/2
ACT	23	1 1/2	1 1/2	+1/2

OTC

ADA	23	1 1/2	1 1/2	+1/2
ADB	23	1 1/2	1 1/2	+1/2
ADC	23	1 1/2	1 1/2	+1/2
ADD	23	1 1/2	1 1/2	+1/2
ADE	23	1 1/2	1 1/2	+1/2
ADF	23	1 1/2	1 1/2	+1/2
ADG	23	1 1/2	1 1/2	+1/2
ADH	23	1 1/2	1 1/2	+1/2
ADI	23	1 1/2	1 1/2	+1/2
ADJ	23	1 1/2	1 1/2	+1/2
ADK	23	1 1/2	1 1/2	+1/2
ADL	23	1 1/2	1 1/2	+1/2
ADM	23	1 1/2	1 1/2	+1/2
ADN	23	1 1/2	1 1/2	+1/2
ADO	23	1 1/2	1 1/2	+1/2
ADP	23	1 1/2	1 1/2	+1/2
ADQ	23	1 1/2	1 1/2	+1/2
ADR	23	1 1/2	1 1/2	+1/2
ADS	23	1 1/2	1 1/2	+1/2
ADT	23	1 1/2	1 1/2	+1/2
ADX	23	1 1/2	1 1/2	+1/2
ADU	23	1 1/2	1 1/2	+1/2
ADV	23	1 1/2	1 1/2	+1/2
ADW	23	1 1/2	1 1/2	+1/2
ADX	23	1 1/2	1 1/2	+1/2
ADZ	23	1 1/2	1 1/2	+1/2

OTC

AEA	23	1 1/2	1 1/2	+1/2
AEB	23	1 1/2	1 1/2	+1/2
AEC	23	1 1/2	1 1/2	+1/2
AED	23	1 1/2	1 1/2	+1/2
AEE	23	1 1/2	1 1/2	+1/2
AEF	23	1 1/2	1 1/2	+1/2
AEG	23	1 1/2	1 1/2	+1/2
AEH	23	1 1/2	1 1/2	+1/2
AEI	23	1 1/2	1 1/2	+1/2
A EJ	23	1 1/2	1 1/2	+1/2
A EK	23	1 1/2	1 1/2	+1/2
A EL	23	1 1/2	1 1/2	+1/2
A EM	23	1 1/2	1 1/2	+1/2
A EN	23	1 1/2	1 1/2	+1/2
A EO	23	1 1/2	1 1/2	+1/2
A EP	23	1 1/2	1 1/2	+1/2
A EQ	23	1 1/2	1 1/2	+1/2
A ER	23	1 1/2	1 1/2	+1/2
A ES	23	1 1/2	1 1/2	+1/2
A ET	23	1 1/2	1 1/2	+1/2
A EX	23	1 1/2	1 1/2	+1/2
A EU	23	1 1/2	1 1/2	+1/2
A EV	23	1 1/2	1 1/2	+1/2
A EW	23	1 1/2	1 1/2	+1/2
A EX	23	1 1/2	1 1/2	+1/2
A EZ	23	1 1/2	1 1/2	+1/2

NASDAQ National Market

DTC Consolidated trading for week ended Friday.

Sales in Millions High Low Close Change

(Continued)

Table listing various NASDAQ stocks with columns for Sales, High, Low, Close, and Change. Includes symbols like AIG, AIGP, AIGS, etc.

Table listing various international stocks and currencies with columns for Country, Symbol, Price, and Change. Includes entries for United States, United Kingdom, France, etc.

U.S. Banks Hopeful on Securities Trading

WASHINGTON — U.S. banks are moving closer to winning securities investment powers through possible regulatory and legislative action this year, according to banking analysts. While Congress gets ready to grapple with complex banking legislation, the Federal Reserve Board is considering proposals to broaden banks' securities powers under current law. U.S. banks say they feel cautiously optimistic they may gain on both fronts, despite strong opposition from the securities industry. "There is definitely going to be legislation this year," said Kenneth Guenther, executive vice-president of the Independent Bankers Association of America. Banking industry analysts say they believe that some securities powers for banks could be added to legislation before the Senate and House banking committees. One banking industry lobbyist said he thought that the Senate Banking Committee chairman, William Proxmire, a Democrat of Wisconsin, would schedule an early vote on the issue. "I think it's a vote we can win," he said. However, he cautioned the Federal Reserve Board against allowing banks to engage in any of those activities, arguing that only Congress should address the issue. The board is considering applications by Citicorp, J.P. Morgan & Co. and Bankers Trust New York Corp. The three are seeking permission to underwrite and deal in securities under current law by conducting limited business through subsidiaries that already deal in government securities. "Until the Congress changes the law, the board lacks authority to permit the activities in question," Mr. Proxmire said in a letter to the Fed chairman, Paul A. Volcker. Mr. Volcker has said he believes banks should be allowed to have those securities powers, but the board must decide whether they are permitted under the current restrictive law. Mr. Volcker said at a public hearing on the applications that he would prefer that Congress address the issue.

CUBA: Fighting 'Capitalist Vice'

(Continued from first finance page) must cultivate man's sense of honor, dignity and his best qualities. Mr. Castro's new determination to instill in his people "a Communist conscience" represents a major shift in economic policy and goes far beyond ending the free-enterprise ventures that he had permitted since 1980. At the first of the year, with Cuba caught in one of the worst economic crunches of its socialist history, Mr. Castro began a sweeping austerity program that is likely to continue for many months. To counter a sharp drop in government revenues, the Cuban leader ordered a broad range of cutbacks to reduce public expenditures. The cutbacks include reductions in personal allowances of rice, milk, beef, beer and fabric for clothing; fewer hours of broadcasting for the two national television channels; a rise in electricity rates, and the doubling of city bus fares to 10 cents. The austerity campaign is meant to profoundly change Cuban life, Mr. Castro said, instilling not only discipline and greater morality but a tolerance of the hardships characteristic of the regime's early years. Western diplomats and other experts on Cuba say Mr. Castro appeared to be taking Cuba back to the spirit of the 1960s, when revolutionaries like Che Guevara and other economists formulated policy. In the early 1970s, Mr. Castro shifted to a more orthodox, Soviet-style approach of goals and objectives after failing in 1970 to achieve a much-publicized goal of harvesting 10 million tons of sugar. Overtime pay, bonuses and other material incentives were introduced. Cars, refrigerators, television sets and other scarce items regarded as luxuries in Cuba, went first to outstanding workers. In time, Mr. Castro permitted small private businesses such as tailors and plumbers who work mainly out of their homes after doing state jobs. Now most of the worker incentives are being dismantled. Mr. Castro, trying to explain how things had unraveled, spoke recently to his party's leaders of a "blind belief in mechanisms alone."

International Bond Prices

Table showing international bond prices with columns for Issuer, Con Mat Price, and Yield. Includes entries for Genl Motors, GMAC, GMAC, etc.

Wall Street Review

Table with sections for AMEX Most Actives, NYSE Most Actives, AMEX Diaries, and NYSE Diaries, showing stock market activity.

Worldwide Entertainment advertisement for Lido cabaret, featuring a rooster logo and text: "LE PLUS CÉLÈBRE CABARET DU MONDE", "LIDO", "20 h Diner dansant", etc.

Escorts & Guides advertisement for International Classified, listing various travel agencies and services like Regency NY, Caprice-NY, etc.

Euromarts At a Glance advertisement, listing various international travel agencies and services with contact information.

SPORTS

SPORTS BRIEFS

All-Stars Bid Farewell to the Good Doctor

World 100-Yard Dash, Shot Marks Broken

SENFTENBERG, East Germany, Feb 8 (AP) — Heike Drechsler broke her world indoor record for the 100-yard dash Sunday, while in Macolin, Switzerland, Werner Günthor set an indoor world mark for the shot put.

Breland Breaks Hand but Wins WBA Title

ATLANTIC CITY, New Jersey (AP) — Mark Breland won the World Boxing Association welterweight title Friday night, knocking out Harold Volbrecht of South Africa with a right to the jaw in the seventh round despite, in the first round, breaking a metacarpal bone in his left hand for the third time since September.

Stadler Golf Leader

HONOLULU (AP) — Craig Stadler matched the course record with a 10-under-par 62 Saturday to take a one-shot lead over Paul Azinger after three rounds of the Hawaiian Open Golf Tournament.

By Roy S. Johnson
New York Times Service
SEATTLE — Something unusual, if not surprising, was likely to have occurred Sunday in the National Basketball Association's all-star game, the annual exhibition of pro basketball's ultimate craftsmen.

you-can-do-I-can-do-better maneuvers, some members of the Eastern Conference team were likely to have begun passing the ball with unexpected frequency, forsaking even wide-open shots.

Dominique Wilkins or Maurice Cheeks or Charles Barkley or even Larry Bird sacrificed a basket, it would be for Julius Erving.

into the back-door at the stadium and see my idol. Besides what he's done for the game, he's done a hundred times more through just his presence. The way he carries himself. The way he approaches his night in and night out.



Julius Erving: Good moves, on and off the court.

Erving, the master showman and consummate professional, was to be playing in his 11th and final NBA all-star game (in which he has averaged 19.9 points). He will turn 37 at the end of this month, and he will retire at the end of his 16th professional season.

"I know if I get the opportunity, I will," said Thomas, who, like Erving, is a two-time most valuable player of the event.

"I'd like to get him the ball whenever I can," said Jordan, who would be playing in his second all-star game. "It's the best way I know to salute a true legend."

As the best players in the Eastern and Western Conferences prepared for the game with informal practices here at the Coliseum, much of the discussion focused on what Erving has meant to them.

"He showed us how to do things in a class way," said Ervin Johnson. "We know we can't imitate his game, but we can imitate him off the court, just being a nice person. I'm just happy for the chance to get to know him as a person."

Eric (Sleepy) Floyd, in the game for the first time in his five-year career, pointed to the "character class and the zeal" Erving displays.

Floyd and Erving traveled to Seattle on Friday on the same flight. That not only gave them an opportunity to chat, but it also allowed Floyd to observe one of the virtues about Erving he most admires.

"It's not so easy for people to come up and ask you for an autograph because some players turn them down so rudely," he said. "It's even harder for people to come up to him, but he greets everyone with a smile. It's little things like that that make him so special."

Tom Chambers, the Seattle forward who would be making his first all-star appearance, as a substitute for the injured Ralph Sampson, developed an ideal image of Erving that he feared would be shattered when he first met him as a rookie five seasons ago.

"Sometimes when he's out on the court, he's so big it looks like the game gets lost in him," Aguirre said. "When he steps on the floor it's still a game, but it's more. He's history."

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Prices on the Amsterdam stock exchange edged up at the end of the week after losing ground earlier while the dollar was still falling. The ANP-CBS general share index dropped to 260.1 on Wednesday, down from 262.3 on Friday of the previous week, but moved up to 262.5 on the final day of trading.

Frankfurt

The Frankfurt stock exchange staged a modest recovery near the end of a week of generally sluggish trading in which the Commerzbank index fell 68 points to 1,739.6. Foreign investors, reacting to the dollar's weakness, were heavy sellers of German shares, and market analysts said trading this week would be influenced by lingering uncertainty over the dollar's direction.

Hong Kong

Bulls went on a post-Lunar New Year buying spree on the Hong Kong stock exchange this week, boosting indexes to new record highs. The bellwether Hang Seng index finished Friday at a record 2,673.57, up 120.32 on the week. The Hong Kong index rose 76.17 to 1,713.79.

London

The surge in share prices continued last week on the London Stock Exchange with all the main indices hitting new peaks. The Financial Times index of 30 industrial stocks broke the 1,500-point mark for the first time to close up 67.9 points on the week at 1,508.9. The more widely-based FT-Stock Exchange index, measuring 100 leading shares, also reached new ground, closing up 90.1 points at 1,898.4.

Milan

Milan stocks were in the doldrums again last week, and the Corint index closed at 705.11, down 0.4 percent from the previous week. Activity was weak. Only 133 million shares changed hands, down from 165 million the previous week, for a total value of 666.034 billion lire, compared with 789,387 billion.

Paris

Trading was nervous last week on the Paris Bourse in reaction to anxiety over the course of the dollar. The CAC index ended the week at 418.4, up from 418 the previous Friday. Trading was robust at the start of the week, with the index hitting 421.5 Monday in response to a decline in short-term interest rates in West Germany and the announcement of a narrowing in France's trade deficit at the end of 1986.

Singapore

In the first trading week of the Lunar New Year, the Straits Times Industrial Index gained an impressive 16.96 points to finish at 965.98 and appeared poised to break the 1,000 mark soon. The sharp rise in prices was mostly in quality issues. Malaysian stocks also were in the limelight the entire week.

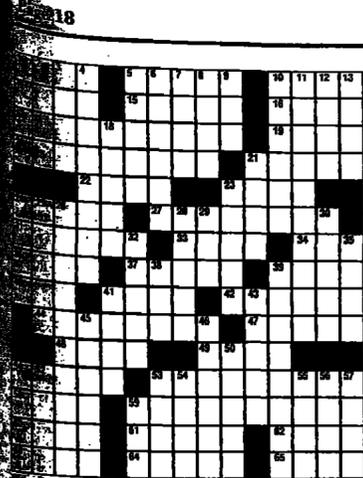
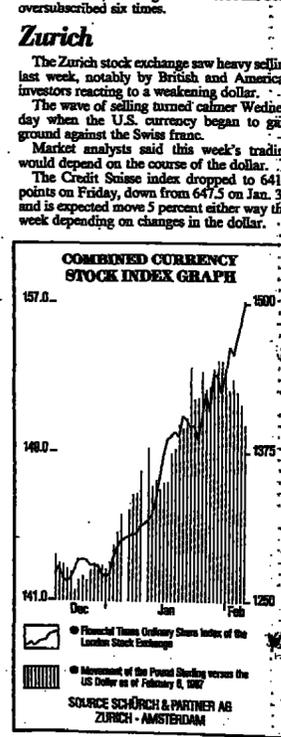
Tokyo

Prices on the Tokyo stock market fell for three straight sessions at the end of last week, despite a bullish start on Monday, as individual investors sold stocks to produce funds for shares in Nippon Telegraph and Telephone Corp., which is to be listed next Monday.

Zurich

The Zurich stock exchange saw heavy selling last week, notably by British and American investors reacting to a weakening dollar. The wave of selling turned calmer Wednesday when the U.S. currency began to gain ground against the Swiss franc. Market analysts said this week's trading would depend on the course of the dollar.

COMBINED CURRENCY STOCK INDEX GRAPH



- ACROSS
1. Peek ars
2. Were talented
3. Bobzevik's
4. Police partner
5. Marshal Wyatt
6. State
7. Covering
8. Lab burner
9. Large dogs
10. Black, to Blake
11. Lithoid
12. Tucked out
13. Chemical
14. Sendings
15. Pitcher
16. French secular
17. Clergymen
18. Like a
19. Spellbinder
20. Job
21. Cockpilot,
22. From
23. Blend
24. Like some
25. questions
26. Counselors
27. Orgs. of sorts
28. Handle
29. Quasi
30. Intact
31. Far from
32. recalcitrant
33. Tow
34. Small, high-spirited dog
35. "Cornus" composer
36. Lazed
37. Best or Ferber
38. Neat
39. Orchestra section
40. Actual
41. What spits has done well
42. Peer
43. Siren in "East of Eden"
44. Flora and fauna
45. Tracking dog
46. Debussy opus
47. Sphere; globe
48. Whistle sound
49. Verb on a penny
50. What skimpers hope to make meet
51. Employ
52. Traveler on stank's mare
53. Drum's partner
54. Willow
55. Follow
56. Like some peanuts
57. What malamutes pull
58. "Price Glory"
59. Mata
60. Style
61. Shaft on a car
62. Dwell
63. River of Siberia
64. Of an epoch
65. An evergreen

Solution to Friday's Puzzle

GAMA BATE SNAG
REEL ALBERT TOTA
ARNI STAIR GWEN
DOUBLE OR NOTHING
I AM LET
FAN PENCILS BIB
ETAL NOUS TARDY
TAKE IT OR LEAVE IT
CLEAN SLAY EVOE
HAD DRESSED ETS
CIA ROE
BYHOORORBYCROOK
REAR EROE ALAI
EARN REDAN NESS
TREV ROSE DOTS

DENNIS THE MENACE



JUMBLE

A word game section titled 'JUMBLE' with a grid of letters and clues. Clues include 'Unscramble these four jumbles, one letter for each vowel, to form four ordinary words.' and 'You're always right, J.P.I.' The grid contains letters like LYMAN, REESA, HOYBIS, WEENST.

WEATHER

A weather forecast table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, and OCEANIA. Each column lists cities and their weather conditions and temperatures.

PEANUTS



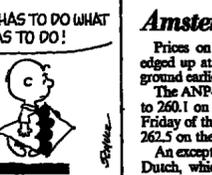
BLONDIE



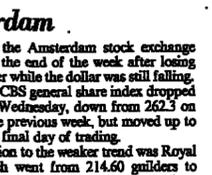
BEEBLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



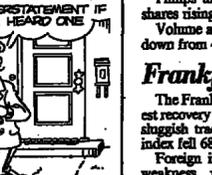
GARFIELD



Garfield



Garfield



سكزامن الاصل

SPORTS

Hess Takes Sixth World Title; Wörndl, in Upset, Wins Slalom

Completed by Our Staff From Dispatches
GRANS-MONTANA, Switzerland — Frank Wörndl of West Germany, in Sunday's final event of the Alpine Ski World Championships, produced the upset of the competition by winning the men's slalom by a margin of 0.19 seconds.

The day before, Erika Hess, 24, who is to retire at the end of this season, had crowned her 10-year career with a sixth world title, winning the women's slalom to become Switzerland's third double gold medalist at these championships.

"Until today," he said, "the joy of skiing was always bigger for me than the fact that I wasn't winning any races."
After the first run, made through 72 gates on the 541-meter (589-yard) Nationale course, a third of a second separated the first seven finishers. McGrath was .99 seconds out while posting the 16th fastest time.



Frank Wörndl: "Overjoyed."

Wörndl punched the air as he completed his second heat in 54.03 seconds for a two-run total of 1:54.63. "I'm overjoyed," he said. "I had hoped to make the first 15, but after the first run I knew I had a chance of a medal."

The second run was quicker, with seven fewer gates, and Girardelli, second out of the gate, made the fastest run of the day, 53.63 seconds.



Erika Hess, Switzerland's third double gold medalist of 1987.

McKinney was so upset that she stayed on the side of the course for 20 minutes, looking at the spot where her hopes of victory had vanished. She skied to the finish area with tears in her eyes and declined to talk about her run.

The dropouts continued in the second run, with 4 of the top 15 failing to complete the course. Among them was Monika Meisterhofer of Austria, second after the

first run in 46.69. She missed a gate, skied to the barrier at the side of the trail, sat down and put her head in her hands.

But Hess, by the midpoint of her run, was skiing smoothly and strongly, plowing through the gates and stretching to get the final strides over as quickly as possible. She had overtaken Steiner and now had to wait to see if the front-runner could match her pace.

France Rallies to Down Wales, 16-9; Ireland Opens by Blanking England

By Bob Donahue
International Herald Tribune
PARIS — France took 78 minutes to get ahead of Wales in a 90-minute rugby match here Saturday, but a strong French finish left no doubt in Welsh minds about who had deserved to win.

match. There were more than a dozen of them, compared to only one for France. Referee Colin High, an Englishman officiating in the Five Nations tournament for the first time, added five minutes to each half and later said he had found the stops "very frustrating."

Philippe Bérat, France's right wing, had only one penalty kick in each half but put both across. The rest of France's scoring came from a try by flyhalf Franck Messel, converted by Bérat, and another by left wing Eric Bonneval.

FIVE NATIONS RUGBY

called for a change in the rules to require play to continue while minor injuries are treated on the sidelines.
Wales countered the French in the scrums with an outstanding display by tighthead prop Stuart Evans and clever spoiling by the back row when the scrum came to be wheeled. Evans was also effective in the mauls.

Lock Robert Norster and Steve Sutton had their way in the lineouts until the French captain, hooker Daniel Dubroca, changed tactics at halftime. "Good captaincy," said John Dawes, the WRU's tactical guru. The French had five tall men to Wales's four, so the trick was to throw in to the one big guy — usually Alain Llorieux, near the front — who had a smaller vis-à-vis.

Without great defense — in particular by flanker Pickering and new right wing Webb, the first black ever to play for Wales — the French made ground and scored two or three more tries. Other French threats were stymied early by good tackles on big forwards as they started to charge.

Irish work at improving their scrumming last year, paid off in this year's tournament opener. The English were held in the scrums and dominated in loose play and in the lineouts. A leading London commentator wrote that this "was probably the worst performance I have ever seen from an England team."

Fullback Paul Thorburn connected with three out of five penalty kicks before going off with a broken left collar bone in the 38th minute. He is expected to be out for eight weeks — leaving him time to make the Welsh World Cup squad in May. Malcolm Dacey replaced him.

French errors were also to blame for the suspense, as when Bérat fumbled as he dove over the Welsh goal line at the end of some expert zigzagging by Berbizier. Coach Fouroux, brushing aside Welsh praise, grumbled that France "has a lot of work to do."

SCOREBOARD

Basketball

U.S. College Results

Table with columns for FRIDAY, SATURDAY, and various college basketball games and scores.

Hockey

National Hockey League Standings

Table showing NHL Standings for WALES CONFERENCE, SATURDAY'S RESULTS, and CAMPBELL CONFERENCE.

Pitt Beats Providence, Keeps Lead

United Press International
PROVIDENCE, Rhode Island — Charles Smith scored 25 points and Jerome Lane added 20 here Saturday night to spark No. 16 Pittsburgh to an 87-81 victory over Providence that kept the Panthers atop the Big East.



French forwards on the move toward flyhalf Jonathan Davies — from left, in white, Jean Condou (tackled by Robert Jones), Daniel Dubroca and Laurent Rodriguez — as Paul Moriarty arrives.

European Soccer

Table with columns for ENGLISH FIRST DIVISION, SPANISH FIRST DIVISION, and ITALIAN FIRST DIVISION.

VANTAGE POINT/Angus Phillips

No More Masts on the Skyline

Washington Post Service
FREMANTLE, Australia — A daily ritual here for devoted followers of the America's Cup was to wander about town counting masts.

Skiing

World Championships

Table with columns for MEN'S SLALOM and WOMEN'S SLALOM.

Baseball

Transition

Table with columns for CINCINNATI, PITTSBURGH, and BASEBALL.

Figure Skating

Table with columns for EUROPEAN CHAMPIONSHIPS and ICE DANCE: FINAL STANDINGS.

Tennis

U.S. Pro Indoor

Table with columns for QUARTERFINALS and SEMIFINALS.

Tennis

U.S. Pro Indoor

Table with columns for QUARTERFINALS and SEMIFINALS.

Women: Final Standings

Table with columns for WOMEN: FINAL STANDINGS.

Women: Final Standings

Table with columns for WOMEN: FINAL STANDINGS.

Women: Final Standings

Table with columns for WOMEN: FINAL STANDINGS.

AP

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LANGUAGE

Ungilding the Lily

By William Safire
WASHINGTON — Reading Richard Kluger's history of the New York Herald Tribune, "The Paper," called to mind Beach Conger, the Trib editor who read my copy in the late 1940s. I wrote of somebody gilding the lily, and he changed it to painting the lily, pointing to the line in Shakespeare's "King John": "To gild refined gold, to paint the lily."

Mitchell Parish: A Lyricist's 'Stardust' Memories

By Stephen Holden
New York Times Service

NEW YORK — Fifty-eight years ago, when Mitchell Parish was handed Hoagy Carmichael's melody for "Stardust," he had no idea that their collaboration would result in a song that is still widely regarded as the quintessential American pop standard.

"The melody was given to me as a swing tune, but I heard it as a smooth romantic mood piece," the 86-year-old lyricist recalled recently in his Manhattan apartment. "The song wasn't an overnight hit, because it didn't fit into the 32-bar format that orchestras liked at the time. Hoagy and I wrote other songs together, including 'Riverboat Shuffle' and 'One Morning in May.' In fact, many people, including Hoagy's mother, preferred 'One Morning in May' to 'Stardust,' which didn't really become a standard until the 1940s."

Sung with a wistful, penetrating clarity by the cabaret singer Michele Banti in the new musical revue, "Stardust," Carmichael and Parish's beautiful pasien to romantic nostalgia is a high point of a show that celebrates Parish's songwriting legacy.

In the show, six singer-actor-dancers perform more than 30 songs spanning four decades, all with lyrics by Parish. Selected from a published output of more than 600 tunes, some of the more famous titles include "Sweet Lorraine" (1928), "Sophisticated Lady" (1933), "Stars Fell on Alabama" (1934), "Deep Purple" (1934), "Stairway to the Stars" (1935), "Moonlight Serenade" (1935), "Sleigh Ride" (1948), "Ruby" (1953) and "Volare" (1958).

"Carolina Rolling Stone," the earliest song in the show, dates from 1921. The most recent is Domenico Modugno's "Ciao, Ciao Bambino" (1959), one of several European hits for which Parish wrote American lyrics.

In "Stardust," Parish's more recent songs, including several collaborations with Leroy Anderson, are performed as part of a fictitious television variety show, "Carnegie of Hits," a spoof of "Your Hit Parade," that includes vintage cigarette commercials.

Pop songwriting, which today is geared overwhelmingly toward records rather than live performance, has changed drastically from the era when Parish, who was born in Lithuania and brought up on Manhattan's Lower East Side, began plying his trade.

"When I was growing up, there were penny arcades with Edison discs all around the Lower East Side, in which you deposited a cent and put on earphones to



The cast of "Stardust" (above), a revue that pays homage to the lyricist Mitchell Parish (right).

hear the newest songs. From reading the title pages I learned who wrote what. "I started songwriting when I was around 17, producing what was called 'special material' for vaudeville acts. Usually it was additional lyrics for a song that was already popular, because in the days of vaudeville, different versions of songs were written for specific performers and occasions. There would be one version for a boy and girl, another for two men, and even ethnic versions."

Parish's first steady employer was the publisher Jack Mills, who signed him to his company, Mills Music, for \$12 a week to write comedy lyrics with punch lines by day and to be a song plunger by night.

"My job as a song plunger would be to go to vaudeville houses where I would try to sell special material to the top acts," Parish remembered. "A ticket to the second balcony at a theater on 14th Street cost 15 cents. I would go up and catch the act and afterward tip the stage doorman a nickel cigar to let me backstage. We also used the special material to lure the vaudeville stars to the publisher's office where he would try to sell the ballads, which were considered to be the money songs."

Parish's first hit, "Carolina Rolling Stone," was recorded by the vaudeville musical comedy team of Van & Schenck



Christopher Little/The New York Times

for Columbia Records. "As soon as I heard the record, I caught the songwriting fever once and for all and decided I belonged on Tin Pan Alley — you couldn't tear me away from the profession after that. "In those days, a publisher had what is known as a professional floor, a wide area with benches where songwriters could sit around and talk shop. A lyric writer might tell a composer that he had a title idea, and they would immediately find a cubbyhole and get down to work. Parish estimates he collaborated with at least a hundred composers over the years. "In many cases, I was given both a tune and a title. Sometimes I would write a 'dummy' lyric, with words that didn't mean anything, in order to get the rhythmic flow. Then I would come up with the actual words. Occasionally a dummy ly-

ric ends up being the final lyric. Irving Caesar's 'Tea for Two' is a famous example. "Once I had a title, I would take it home, walk around with it for awhile to let it percolate and then sit down to write. The actual writing time was usually a half hour to an hour. I didn't believe in laboring over a lyric too much, because the song would sound too worked over."

Parish found working with a predetermined title to be a nuisance, albeit one that sometimes yielded artistic dividends. In the lyrics of both "Stardust," and "Sophisticated Lady," the song titles aren't repeated in the catch phrases of the chorus but occur almost incidentally in the narrative, helping to sustain the smooth natural flow of imagery. "Stardust" is especially striking in the way the verse seems to begin in the middle of a thought: "... And now the purple dust of twilight time, steals across the meadows of my heart."

Carmichael wrote and recorded the melody for "Stardust" in 1927 as a jazz instrumental heavily influenced by Jax Beiderbecke. Parish wrote the lyric in 1929, and it became a hit the following year, as a recording by Isham Jones, the minor saxophonist, bandleader and songwriter ("I'll See You in My Dreams," "It Had to Be You"). The following year Bing Crosby and Louis Armstrong had hit versions of the song. "Stardust," often changed to "Star-

Dust" in later arrangements, languished for five years until the dawn of the swing era when Benny Goodman and Tommy Dorsey had hit versions released back-to-back on the same Victor 78-rpm single. In late 1940, Artie Shaw recorded his classic version of "Stardust," featuring Billy Butterfield's famous trumpet solo. Its popularity coincided with Tommy Dorsey's re-recorded version featuring Frank Sinatra and the Pied Pipers.

The song has had three other commercially significant lives, each in a totally different style. In 1957, it was a million-selling rhythm-and-blues ballad hit for Billy Ward and the Dominoes. In the same year, given a hirsute orchestral arrangement by Gordon Jenkins, it was the centerpiece of Nat (King) Cole's most successful album, "Love Is the Thing." Of all the recorded versions of "Stardust," Cole's is Parish's favorite. In 1978, Willie Nelson revived "Stardust" as a country-swing ballad, making it the title of a three-million-selling album.

Parish estimates that over the years "Stardust" may have earned him \$1 million. "I could live on the royalties from that one song, but not openly. Except in rare instances, songwriting, in my era, was not an occupation that one expected to bring great wealth."

Parish is somewhat useful, though no longer bitter, over the fact that although he wrote the lyrics for Duke Ellington's "Mood Indigo," which was published in 1931, Irving Mills (Jack Mills's brother and publishing partner) took credit.

Even with a steady flow of hits, Parish felt compelled to take a day job to help support his family. For 10 years, from 1935 to 1945, he worked as a comedy clerk, swearing in witnesses at criminal court trials.

Filled with moonlight, stars, and often bathed in a mystically hushed aura of twilight, Parish's lyrics stand among the most romantic verses ever applied to popular melodies.

"Though my life hasn't been romantic, I admit to being a sentimental soul," he reflected. "The poetry and music I've admired most — Swinburne, Shelley and Byron and old songs like 'Silver Threads Among the Gold,' and much of Stephen Foster — are very sentimental. Even now, I'm entranced by old movies and newsreels that show Paris at the turn of the century."

"Growing up on the Lower East Side, we didn't see stars — I don't want to psychoanalyze myself, but I sometimes think that all these song lyrics about the moon and stars represented an escape. They expressed a longing for what I couldn't see. "Stardust," often changed to "Star-

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